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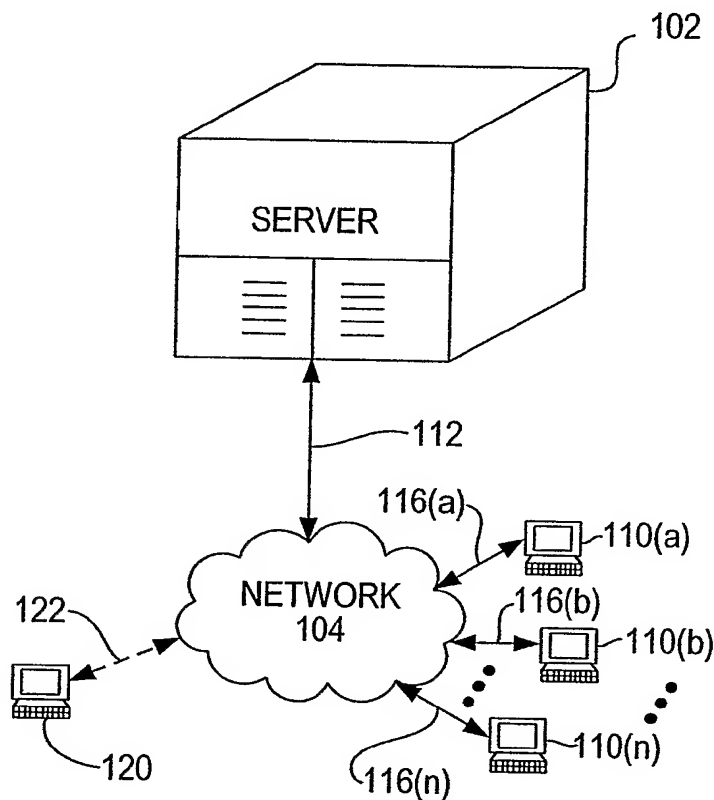
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(54) Title: MIDPOINT MATCHING SYSTEM

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(57) Abstract: An automated system for matching orders to buy and sell securities at the midpoint of a best bid and offer ("BBO"), wherein the automated system is adapted to (i) operate on a fully-anonymous and continuous basis, (ii) process multiple, computer-generated orders, of any size, transmitted by algorithmic, program, and other automated trading systems, (iii) automatically match multiple, executable orders according to a priority scheme, and (iv) execute a matching algorithm that maximizes tradable volume when an executable order can not be matched according to the priority scheme. The system may be executed at a server or participant system, or combination of the two.

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MIDPOINT MATCHING SYSTEM

BACKGROUND

1. Field of the Invention

5 [0001] This invention relates generally to an automated system for matching orders to buy and sell securities at the midpoint of a best bid and offer ("BBO"). More particularly, the present invention relates to an automated system for matching orders to buy and sell securities at the midpoint of a BBO. The automated system is adapted to (i) operate on a fully-anonymous and continuous basis, (ii) process multiple, computer-generated orders, of
10 any size, transmitted by algorithmic, program, and other automated trading systems, (iii) automatically match multiple, executable orders according to a priority scheme, and (iv) execute a matching algorithm that maximizes tradable volume when an executable order can not be matched according to the priority scheme.

2. Background Discussion

15 [0002] Conventional trading of securities, such as, for example, stocks, exchange traded funds ("ETFs"), and listed equity options, takes place on a national securities exchange that is registered as such with the United States Securities and Exchange Commission. Exchanges may be floor-based, fully-electronic, or utilize a hybrid model that incorporates some floor-based features and some electronic features. An example of a floor-based exchange is the
20 New York Stock Exchange ("NYSE"). An example of a fully-electronic exchange is the International Securities Exchange ("ISE"). An example of a hybrid exchange is the Chicago Board Options Exchange ("CBOE").

[0003] At a conventional exchange, the members of the exchange send their proprietary orders and their customers' orders to the exchange for execution. These exchanges also
25 include market makers or specialists, who contribute proprietary quotes to the exchange. These exchanges are, for the most part, fully-transparent, wherein they each disseminate a BBO and they report the prices at which securities are quoted, bought, and sold to reporting entities that consolidate trading information and disseminate trading data, including a national best bid and offer ("NBBO"). Some exchanges also display the depth of their order books,
30 meaning they display the available size for all prices in the security, above and below its BBO. One of the principal advantages of trading at such exchanges is that orders sent to such exchanges, if marketable (that is, for example, if it is an order to buy, then such buy order is

priced at or higher than the best offer), are immediately executed up to the available size displayed in the exchange's BBO. However, for certain types of traders, namely buy-side traders (such as, for example, money managers, mutual funds, pension funds, etc.), the disadvantages of trading at such exchanges may outweigh the advantages. These

5 disadvantages can include higher costs (e.g., payment of the spread – the difference between the best bid and the best offer – as well exchange transaction fees), a lack or compromise of anonymity, ill-equipped electronic execution systems (e.g. SuperDOT), and market impact – that is, the market movement that results when a large order is received. Additionally, too much transparency can also be a disadvantage, depending on the trader and the trade.

10 **[0004]** As a result, buy-side traders, who were less concerned with the principal benefit afforded by exchanges – immediacy of execution – have sought exchange alternatives that offer lower-cost execution, anonymity, and a reduction in, or elimination of, market impact upon receipt of large orders. This demand led to the development of alternative trading systems, including crossing networks ("Crossing Networks"), such as ITG's POSIT,

15 Liquidnet, Harborside+, and Pipeline Trading. The SEC defines an "alternative trading system" as a system that provides a market place for bringing together purchasers and sellers of securities that does not set rules governing the conduct of its participants or discipline its participants.

[0005] Crossing Networks provide independent liquidity pools without dealers, and

20 match (or facilitate the matching of) buy and sell orders at a reference price, usually derived from a BBO or other prices from a conventional exchange. Crossing Networks can be passive (meaning executions only occur at certain, pre-defined matching periods), or continuous (meaning executions may occur at any time during the trading day). The common denominator in all current and former Crossing Networks is that they are intentionally,

25 specifically, and, in many cases, exclusively designed to execute block-sized orders – orders to buy or sell a significant number of shares. Following is a brief description of the current, principal Crossing Networks.

[0006] ITG's Posit, which is a service available to both buy-side and sell-side participants, operates a passive, midpoint "call market," where a cross occurs roughly every

30 half-hour throughout the trading day. At a random time selected within a one minute window of time after each cross begins, a midpoint price is set at which all matching buys and sells are executed.

[0007] Liquidnet, which is a service offered to buy-side institutions only, operates continuously throughout the day. Institutions make the trade blotters of their order management system (“OMS”) available to be compared on Liquidnet, which notifies each party when a potential match is found. If parties are interested at that point, they then go into electronic, anonymous negotiation to consummate a trade.

[0008] Harborside+, which is a service available to both buy-side and sell-side participants, operates continuously throughout the day. Similar to Liquidnet, it looks for potential matches on OMS blotters. When a match is found, a human broker at Harborside+ calls each party and seeks to help both of them negotiate to complete a trade.

[0009] Pipeline Trading, which is a service available to both buy-side and sell-side participants, relies on participant systems entering block orders into its system. Orders that are entered result in screen displays lighting up the symbols of the entered stocks, but does not disclose side. Orders may be priced at any price or at midpoint, which is encouraged by granting near-match notification to midpoint enterers that there is a potential counterparty at a price not far from the midpoint.

[0010] While each of the current, principal Crossing Networks has its own, unique limitations, all current, principal Crossing Networks also contain a common limitation in that they lack order processing and matching features necessary to process multiple, computer-generated orders, of any size, transmitted by algorithmic, program, and other automated trading systems and automatically match multiple, executable orders. These trading systems continue to gain in popularity, and are accounting for an increasing percentage of the total volume traded on the conventional exchanges. Further, the current, principal Crossing Networks either prohibit (via not permitting access to their systems) or discourage (via making trading uneconomic through charging higher buy-side-like fees) sell-side traders from participating. Sell-side traders and their customers, who they tend to grant direct, sponsored access to the exchanges, are the traditional users of algorithmic, program, and other automated trading systems. In addition, however, buy-side firms are increasingly starting to utilize algorithmic, program, and other automated trading systems. Moreover, principal Crossing Networks do not readily accommodate order shredding or volume weighted average pricing (“VWAP”) trading strategies that are the antithesis of block trading methods. In addition, inevitably, each of the current Crossing Networks has some form of information leakage or gaming ability, which results in compromises in anonymity, either built in by screen displays (Pipeline Trading), through the “sniffing of blotters,” or by word of mouth

from human intermediaries (Harborside+ and Posit, which also operate agency desks). None of the current, principal Crossing Networks are adapted to receive, process, and match computer-generated orders, of any size, created by algorithmic, program trading, and other automated trading systems.

5 [0011] Thus, Crossing Networks do not provide an efficient trading solution to market participants that utilize algorithmic, program, and other automated trading systems, which market participants are accounting for a continually increasing percentage of overall traded volume on conventional exchanges. Thus, it would be an advancement in the state of the art to make available an automated system for matching orders to buy and sell securities at the
10 midpoint of a BBO, wherein the automated system is adapted to (i) operate on a fully-anonymous and continuous basis, (ii) process multiple, computer-generated orders, of any size, transmitted by algorithmic, program, and other automated trading systems, (iii) automatically match multiple, executable orders according to a priority scheme, and (iv) execute a matching algorithm that maximizes tradable volume when an executable order can
15 not be matched according to the priority scheme.

BRIEF SUMMARY OF THE INVENTION

[0012] The present invention is directed toward a system for matching orders to buy and sell securities at the midpoint of a BBO, wherein the automated system is adapted to (i) operate on a fully-anonymous and continuous basis, (ii) process multiple, computer-generated
20 orders, of any size, transmitted by algorithmic, program, and other automated trading systems, (iii) automatically match multiple, executable orders according to a priority scheme, and (iv) execute a matching algorithm that maximizes tradable volume when an executable order can not be matched according to the priority scheme. The present invention may be implemented by a server device or a server device that is operably coupled to, and working in
25 conjunction with, one or more participant systems. A participant system may include an OMS that communicates in CMS or FIX messaging format.

[0013] The present invention includes a system for receiving and storing multiple, computer-generated orders, of any size, transmitted by algorithmic, program, and other automated trading systems, including Solicitation of Interest ("SOI") orders, Request for
30 Cross ("RFC") orders, RFC responses, Drip Feed ("DF") orders, and Reserve orders, and automatically matching the multiple, executable orders according to a priority scheme. In addition, the present invention includes executing a matching algorithm that maximizes

tradable volume when an executable order can not be matched according to the priority scheme. A priority scheme, for purposes of determining execution order priority, may be associated with each of the above-listed order types.

[0014] Accordingly, one embodiment of the present invention relates to an automated system for matching orders to buy and sell securities at the midpoint of a BBO. The system includes receiving transaction data indicative of an order, identifying a priority status that is associated with the transaction data, and storing such data in a database. The transaction data may be provided by a buyer or seller and may include instructions for the disclosure of selected message data to one or more market participants. The information in the message data determines a priority status for the order. If applicable, the system transmits the selected message data to one or more market participants. Preprogrammed response data is received from the one or more market participants in response to the message data and the preprogrammed response data is a function of a previously authorized response. A matching algorithm is executed, and executable orders are matched as a function of the transaction data and the response data.

[0015] Another embodiment of the present invention relates to an automated system for matching orders to buy and sell securities at the midpoint of a BBO. The system includes executing a matching algorithm to match executable orders and maximize tradable volume. The matching algorithm checks each order and response in the database and determines which orders and responses are eligible to be matched, taking into account the prevailing BBO at any point in time and conditions or limitations attached to eligible orders, including boundary prices. The matching algorithm matches eligible orders in strict priority based on each eligible order's priority level, respecting time priority at each level, until reaching the first instance in which an order cannot be matched in its proper priority. If an order is reached that cannot be filled in its entirety in its proper time sequence, the matching algorithm determines a portion, typically the maximum number of shares that can be executed, and executes the trade for that number of shares.

[0016] Another embodiment of the present invention relates to an automated system for matching orders to buy and sell securities at the midpoint of a BBO. The system includes receiving transaction data indicative of a proposed transaction, identifying a priority status and a period of time that is associated with the transaction data, and storing such data in a database. If applicable, the system transmits the selected message data to one or more market participants. Preprogrammed response data is provided in response to the transaction data, the

preprogrammed response data being a function of a previously authorized response. A matching algorithm is executed, and executable orders are matched as a function of the transaction data and the response data.

5 [0017] Yet another embodiment of the present invention relates to an automated system for matching orders to buy and sell securities at the midpoint of a BBO. The system includes receiving transaction data indicative of an order and a price of a proposed transaction. A period of time is established during which the proposed transaction may be executed, and transaction data is stored in a database. A priority status is identified that is associated with the transaction data. Message data is provided to one or more participant systems, the
10 message data is indicative of a portion of the transaction data, the period of time and the priority status. Preprogrammed response data is received from the one or more participant systems in response to the message data. The preprogrammed response data is a function of a previously authorized response. A matching algorithm is executed, and executable orders are matched as a function of the transaction data and the response data.

15 [0018] Yet another embodiment of the present invention relates to an automated system for matching orders to buy and sell securities at the midpoint of a BBO. The system includes receiving transaction data indicative of a proposed transaction. Time data indicative of a period of time during which the proposed transaction may be executed may also be received. A priority status that is associated with the transaction data is identified. All such data is
20 stored in a database. Preprogrammed response data is provided in response to the transaction data, the preprogrammed response data being a function of a previously authorized response. A matching algorithm is executed, and executable orders are matched as a function of the transaction data and the response data.

[0019] Yet another embodiment of the invention relates to market participants who send
25 orders to a server from a participant system. Each order is of a particular type. Reserve orders are orders where the customer simply identifies an instrument, whether they want to buy or sell the instrument (side), the quantity of the instrument to buy or sell (size), and the price they are willing to accept for the transaction. This price can be the market price. SOI orders include, in addition to the information for reserve orders, instructions for the
30 disclosure of certain information to other market participants. This information typically includes the symbol, and may include the side, or size of the order, the price and/or the identity of the market participant. The order can also be an RFC order. An RFC order may include the same information as an SOI order. According to this embodiment, orders are

matched with one another by the server. Priority is established among the orders as follows. RFC orders are given the highest priority. Next, SOI orders are given priority. Finally, Reserve orders are given priority. A drip feed (DF) order is a conditional Reserve order.

Among RFC orders, the RFC orders where the most information is provided to market participants is given the highest priority. For example, RFC orders that disclose symbol, side and price are given priority over RFC orders that disclose just symbol. Among RFC orders that disclose the same amount of information, priority is assigned based on the time the order is received by the server. Priority among SOI orders is established in the same manner as priority among RFC orders. Reserve orders are given priority based only on the time the order is received.

BRIEF DESCRIPTION OF THE DRAWINGS

[0020] The present invention will be understood more fully with reference to the drawings, in which like elements are identified with like reference numerals. The drawings are provided for the purpose of illustration and are not intended to limit the invention.

[0021] Figure 1 shows a network environment adapted to support the present invention.

[0022] Figure 2 illustrates a processing apparatus adapted to store and process data related to the present invention.

[0023] Figure 3 illustrates an example of a communication appliance shown in Figure 1.

[0024] Figure 4 is an algorithm, executable at a server apparatus, for performing a transaction according to the present invention.

[0025] Figure 5 is an algorithm, executable at a communication appliance, for performing a transaction according to the present invention.

[0026] Figure 6 is a diagram illustrating an example of a process flow of order, validation NBBO execution and post-trade processing according to the present invention.

[0027] Figure 7 illustrates an example of execution of a reserve order according to the present invention.

[0028] Figure 8 is an algorithm, executable at a server apparatus, for performing a transaction based on parameters of the transaction.

[0029] Figure 9 is an algorithm, for performing a purchase (DRIP) transaction according to the present invention.

[0030] Figure 10 illustrates an example of execution of an SOI order according to the present invention.

5 [0031] Figure 11 is a diagram illustrating the NBBO midpoint calculation and Tick relevance based on information related to one or more exchanges according to the present invention.

[0032] Figure 12 shows an illustration of a procedure to check if a reserve SOI order is eligible for immediate execution upon arrival.

10 [0033] Figure 13 shows an order cancellation procedure according to the present invention.

[0034] Figure 14 shows conditions to perform a first trade for a commodity according to the present invention.

15 [0035] Figure 15 shows a maximization algorithm used according to the present invention.

DETAILED DESCRIPTION OF THE INVENTION

[0036] This invention provides an automated system for matching orders to buy and sell securities at the midpoint of a BBO, wherein the automated system is adapted to (i) operate on a fully-anonymous and continuous basis, (ii) process multiple, computer-generated orders, of any size, transmitted by algorithmic, program, and other automated trading systems, (iii) automatically match multiple, executable orders according to a priority scheme, and (iv) execute a matching algorithm that maximizes tradable volume when an executable order can not be matched according to the priority scheme.

[0037] The present invention provides an automated system for matching orders to buy and sell securities at the midpoint of a BBO. According to one embodiment, a trading system is adapted to trade United States dollar denominated common stocks, ETFs and Trusts currently traded on the NYSE, American Stock Exchange ("AMEX"), and NASDAQ. Orders may be entered anonymously and, with the exception of SOI orders and RFC orders, will be hidden. Orders may be market or boundary-priced, but market orders in this context, unlike market order treatment on other exchanges, are executable at the NBBO midpoint and

may rest on the reserve book awaiting a contra-side order that is eligible for execution. There is no external display of the reserve orderbook to members and there will typically not be a published BBO from an exchange.

[0038] Alternatively, it is also an embodiment of the present invention that there is an external display of the reserve orderbook to members and a published BBO.

[0039] The various features of the present invention are described herein. Specifically, the network environment of the present invention, Solicitation of Interest (SOI) orders, Request for Cross (RFC) orders, Reserve orders, a priority scheme, a matching algorithm and a maximization technique are described.

Network Environment for the Present Invention

[0040] Figure 1 shows a network environment 100 adapted to support the present invention. The exemplary environment 100 includes a network 104, a server 102, a plurality of communication appliances, or user locations, or participant systems, 110(a)...(n) (where "n" is any suitable number) (collectively referred to herein as, participant systems 110) and one or more wireless participant systems, represented by wireless participant systems 120. Trading, transacting and executing orders occurs by the inter-operation of the components of network 100. For example, participant systems 110 are adapted and arranged to respond to orders generated by server 102. This response may occur as a result of preprogrammed instructions and typically occurs without intervention of an operator. Indeed, it is an embodiment of the present invention that messages transmitted from server 102 to participant systems 110 will not be visibly displayed on computer terminals.

[0041] The network 104 is, for example, any combination of linked computers, or processing devices, adapted to access, transfer and/or process data. The network 104 may be private Internet Protocol (IP) networks, as well as public IP networks, such as the Internet that can utilize World Wide Web (www) browsing functionality, or a combination of private networks and public networks.

[0042] Server 102 is operatively connected to network 104, via bi-directional communication channel, or interconnector, 112, which may be for example a serial bus such as IEEE 1394, or other wire or wireless transmission medium. Examples of wireless transmission medium include transmission between a modem (not shown), such as a cellular modem, utilizing a wireless communication protocol, or wireless service provider or a device

utilizing a wireless application protocol and a wireless transceiver (not shown). The interconnector 112 may be used to feed, or provide, order data to server 102.

[0043] The terms “operatively connected” and “operatively coupled”, as used herein, mean that the elements so connected or coupled are adapted to transmit and/or receive data, or otherwise communicate. The transmission, reception or communication is between the particular elements, and may or may not include other intermediary elements. This connection/coupling may or may not involve additional transmission media, or components, and may be within a single module or device or between one or more remote modules or devices.

[0044] The server 102 is adapted to access data, transmit data to, and receive data from, participant systems 110 and 120, via the network 104. Server 102 is described in more detail with reference to Figure 2, herein.

[0045] Participant systems 110 and 120 are typically OMS's that reside on computers. They may be capable of processing and storing data themselves or merely capable of accessing processed and stored data from another location (*i.e.*, both thin and fat terminals). These participant systems 110, 120 are operatively connected to network 104, via bi-directional communication channels 116, 122, respectively, which may be for example a serial bus such as IEEE 1394, or other wire or wireless transmission medium, as described herein. Participant systems 110, 120 are described in more detail in relation to Figure 3, herein.

[0046] The server 102 and participant systems 110, 120 typically utilize a network service provider, such as an Internet Service Provider (ISP) or Application Service Provider (ASP) (ISP and ASP are not shown) to access resources of the network 104.

[0047] Figure 2 illustrates that server 102, which is adapted to access, store and process data related to the present invention, is operatively connected to the network (shown as 104 in Figure 1), via interconnector 112. Server 102 includes a memory 204, billing module 207, market supervisor module 213, processor 210 and circuits 212. The server 102 may also include integrated server management features and an interface that interacts and exchanges data with other terminals of network environment 100.

[0048] The server 102 is adapted to receive order data from participant systems 100 and store or process the data such that transactions can be executed. The server 102 is also adapted to provide data related to proposed transactions to other participant systems 100. For

example server 102 can accept orders from participant systems in both CMS and FIX message formats. Orders may be delivered through a routing complex that has an appropriate platform and reports, summaries and/or invoices for transactions may be delivered to participant systems, or agents through the routing complex. The server 102 is also adapted to interface, via network 104, with one or more external trade reporting entities, such as another exchange such as NASDAQ or ADF (Automated Display Facility) for posting trades to CTS and UTDF. This functionality may utilize multiple interfaces depending on separation of information. Furthermore, the server 102 may deliver matched trades to DTCC for clearance and settlement as well as report quotes and trades to a securities information processor as well as store and provide audit information to an appropriate authority or regulatory agency.

[0049] Memory 204 may be, for example, dual hot-plug Ultra320 SCSI 3.5" hard drives, DDR-2 memory scalable to 12GB that stores programs 206, which include, for example, a web browser 208, algorithms 400, 500, 600, 700, 800, 900, 1000, 1100, 1200, 1300, 1400 and 1500 as well as typical operating system programs (not shown), input/output programs (not shown), and other programs that facilitate operation of server 102. Web browser 208 is for example an Internet browser program such as Explorer™. These algorithms, or program code, 400, 500, 600, 700, 800, 900, 1000, 1100, 1200, 1300, 1400 and 1500 are each a series of steps for manipulating and executing transactions, which are typically stored on a computer-readable memory or medium and executed by a processor. These algorithms are discussed in more detail herein.

[0050] The memory 204 also stores matching engine, module or facility, 203, which is software, program code or algorithm, adapted to match bids and asks for financial instruments and access the NBBO midpoint for a particular instrument. The matching engine 203 facilitates transactions by determining transactions that that may be executed and when the transaction may be executed.

[0051] Billing module, or facility, 207 is typically software, program code or a series of steps adapted to track and accumulate trade confirmation or order cancellation or billing data for transactions that occur. This information may be transmitted to a party responsible for payment of the charges accrued. The transmission of the billing information may be electronic, for example transmitted utilizing the network described herein as element 104, or may be via the postal service as a written invoice.

[0052] Supervisor module, or facility, 213 is typically software, program code or a series of steps adapted to control and monitor transactions performed by server 102. This module 213 may also store and/or access market data indicative of the state or status of various markets which may be for example domestic markets and/or international markets. The market data accessed using network 104, as described in Figure 1, herein.

[0053] Processor 210, which is operatively connected to memory 204, is used to access, process and manipulate the data retrieved and stored by server 102. The processor 210 is typically a microprocessor with sufficient speed and processing capacity to adequately perform the desired data manipulations of server 102. The processor 210 may be, for example, an Intel® Pentium® 4 Processor with Hyper-Threading Technology (3.6GHz, 800MHz FSB, 2MB L2 cache). Circuits 212 are operatively connected to processor 210 and typically include, for example, Integrated Circuits (ICs), ASICs (application specific ICs) power supplies, clock circuits, cache memory and the like, as well as other circuit components that assist in executing the software routines stored in the memory 204 and that facilitate the operation of processor 210.

[0054] Figure 3 illustrates a participant system, user terminal, or communication appliance 110. Participant System 110 is typically an OMS that resides on a computer, laptop computer, PDA (personal digital assistant), wireless handheld device, mobile phone or other device capable of interfacing with a network, such as an IP network. The Participant System 110, may be for example, a Dell Precision 670 computer, which includes dual Intel® Xeon™ processor architecture with support for Intel® Extended Memory 64-bit technology, dual-channel ECC DDR2 system memory and Intel E7525 chipset with PCI Express (PCIe) graphics support. Participant System 110 also includes support circuitry 312, input module 330 and display module 340. Bi-directional interconnection medium 116 operatively connects the terminal 110 to the network (shown as element 104 in Figure 1). The Participant System 110 is typically located at the user location.

[0055] Processor 310, which is operatively connected to memory 304, is used to process and manipulate the data retrieved, communicated and stored by Participant System 110. The processor is typically a microprocessor with sufficient speed and processing capacity. The processor may be, for example an Intel® Pentium® 4 Processor with Hyper-Threading Technology (3.6GHz, 800MHz FSB, 2MB L2 cache). The processor 310 is operatively connected to circuitry 312. Circuitry 312 typically includes, for example, Integrated Circuits (ICs), ASICs (application specific ICs) power supplies, clock circuits, cache memory and the

like, as well as other circuit components that assist in executing the software routines stored in the memory 304 and that facilitate the operation of processor 310.

[0056] Memory 304 stores programs 306, which include, for example, a web browser 308, as well as typical operating system programs (not shown), OMS programs (not shown), and other programs that facilitate operation of participant system 110. Web browser 308 is for example an Internet browser program such as Explorer™. Algorithms, or program code, or software, or executable code 400, 500, 600, 700, 800, 900, 1000, 1100, 1200, 1300, 1400 and 1500 are a series of steps, typically executed by a processor such as, for example, processor 310, to manipulate selected image data from the participant system. These algorithms are discussed in more detail herein.

[0057] Input module 330 is, for example, a keyboard, mouse, touch pad, track-ball, menu having soft-keys, or any combination of such elements, or other input facility adapted to provide input to participant system 110.

[0058] Display module 340 is, for example, a monitor, LCD (liquid crystal display) display, GUI (graphical user interface) or other interface facility that is adapted to provide or display information to a user.

Overview of Types of Orders, Order Execution and Determination of Priority

[0059] This invention provides an automated system for matching orders to buy and sell securities at the midpoint of a BBO, wherein the automated system is adapted to (i) operate on a fully-anonymous and continuous basis, (ii) process multiple, computer-generated orders, of any size, transmitted by algorithmic, program, and other automated trading systems, (iii) automatically match multiple, executable orders according to a priority scheme, and (iv) execute a matching algorithm that maximizes tradable volume when an executable order can not be matched according to the priority scheme. The orders include SOI orders, RFC orders, RFC responses, DF orders, and reserve orders. Each order has an assigned priority status, which may or may not be changed over time, and the execution of the order is a function of the priority status of the order. A brief overview of SOI orders, RFC orders, RFC responses, reserve orders, and DF orders including priority of execution follows.

Summary of SOI Orders

[0060] An SOI order typically has a predetermined quantity, side, priority and “lifetime”, or viable transactional period, in which the order may be transacted. This lifetime determines

a period which the SOI order has priority. Upon expiration of the lifetime, if the SOI order has not been transacted, it will convert, or be changed into, a reserve order.

[0061] Upon expiration of the lifetime, if the SOI order was submitted as an IOC, or “immediate or cancel” order, the SOI will expire, without being transacted.

5 [0062] Typically, an SOI order that has been converted to a reserve order will have an entry time in the reserve book as of the time the order was placed as an SOI order. Alternatively, an SOI order that is converted to a reserve order may have an entry time in the reserve book as of the time the SOI was converted.

[0063] SOI orders have the special characteristic that a broadcast notification will be
10 disseminated to other participant systems upon entry of SOI orders into the system. SOI orders can be Market or Limit orders. SOI limit-priced orders are validated to ensure execution eligibility. If ineligible, SOI orders are rejected. The system parameters allow the choice of one of the following two methods to determine execution eligibility, based on the limit price of the order: at the midpoint of the NBBO or better, or at the NBBO price or better
15 (ask for buy orders and bid for sell orders). SOIs are always eligible for execution immediately upon entry into the system and remain available for execution during their lifetime. SOI minimum size is determined by the SOI Minimum Size parameter, which must be at least as large as a round lot. SOI orders below the minimum size will be rejected. SOI orders time-in-force can be either DAY or IOC only. SOI fill-or-kill (FOK) orders are not
20 allowed. Under an alternative embodiment of the invention, SOI FOK orders are allowed. SOI all-or-none (AON) orders are not allowed. Under an alternative embodiment of the invention, SOI AON orders are allowed. SOI sell short orders are not allowed. Under an alternative embodiment of the invention, SOI sell short orders are allowed. Each SOI order is classified as such for the duration of time from its arrival until the time lapse specified by the
25 system SOI Life Time parameter. After that time period has elapsed, SOI orders that are Day orders are converted into standard Reserve Orders. SOI orders with a time-in-force of IOC remain eligible for execution during the entire time period set by the No Cancellation Interval parameter, after which they expire. That interval can be less than or equal to the SOI Life Timer interval. SOI orders can be cancelled at any point in time after the expiration of the
30 No Cancellation Interval.

Summary of RFC Orders

[0064] RFC orders are similar to SOI orders except that RFC orders are not immediately executable because RFC orders have a delay period from the time the order is placed until it becomes viable and can be executed. This time period may be, for example, between 1 and 30 seconds, and typically between 2 and 10 seconds. The RFC order is typically sent as a single message. Other orders can only trade with the RFC order when the RFC is viable, i.e., after the delay period. While the delay period associated with a specific RFC controls execution of that specific RFC, other reserve orders are able to trade with each other prior to the time the specific RFC becomes viable. Typically RFC orders will be executed prior to SOI orders.

[0065] An RFC is one-sided, waits for a predetermined period of time for responses, then executes against responses and orders in the reserve book. This time period may be, for example, between 1 and 30 seconds, preferably between 1 and 3 seconds. However, this time period depends on the execution and data transfer speed of underlying computer systems and communications technology and according to another embodiment of the invention is less than 1 second. There can be multiple RFC orders being exposed at the same time within the same stock. When there are multiple RFCs being exposed simultaneously, they all terminate at the same time in an execution involving all eligible orders. The termination is based upon the time of the oldest RFC order. In an RFC Order, the symbol is always disclosed, optionally size and/or side, as specified by the exposure flags on the order. The system sends out exposure broadcast (RFC) then waits n seconds (parameter). The exposure period is a global parameter. RFC orders cannot be cancelled during the exposure period. There are 2 alternative order validations: 1. Buy orders must be at least as high as the ask; sell orders must be at least as low as the bid. 2. Buy orders must be at the mid-point or higher; sell orders must be at the mid-point or lower. Time validity can be day or IOC. Day RFCs will become reserve orders after the exposure period if they do not fully trade. The order is removed from the book and re-inserted into its regular reserve order priority. The order number is unchanged. IOC orders will be cancelled at the end of the exposure period if they do not fully-trade in the cross.

RFC Responses

[0066] When an RFC is broadcast, any participant can respond with an RFC Response Order. The RFC Response is a different order type with quantity and price. The RFC

Response does not reference any particular RFC order. The response is not tied to a particular RFC order but will participate in the many-to-many matching at the end of the exposure period. Responses can be DAY or IOC, market or limit. Responses cannot be cancelled before the end of the exposure period. Responses cannot execute before the end of the exposure period. Limit-priced responses are not validated nor are they exposed.

[0067] At the end of the exposure period, if not fully executed, a response with day validity is changed into a standard reserve order and inserted into the book according to the time of entry of the response. The order number remains the same. An IOC response will be deleted. If the response is entered when there is no RFC in progress then the order is immediately processed as a reserve order. If it is an IOC then it will trade and the balance will result in an UROut'ed message to the participant system. If it is a day response then it is immediately inserted into the book as a DAY reserve order.

[0068] At the end of exposure period, the system attempts to execute at the midpoint using the standard matching function. Unexecuted portions of Day RFC orders and Day responses stay in book and are converted to reserve orders, retaining the same order-number. The priority is determined by the manner in which it is entered. Unexecuted IOC RFC orders and IOC responses expire, and the system sends the participant system an UROut'ed message after the exposure period.

[0069] There can be multiple RFCs occurring at the same time. When multiple RFCs all expire at the same time, the earliest one determines the time at which they all co-terminate. Both buy and sell side RFCs terminate at the same time and participate in an execution with all eligible orders. Responses are not directed to a particular RFC. At the end, all RFCs and Responses participate in an execution with all eligible orders including reserve and RFQ orders on the book.

Summary of Reserve Orders

[0070] Reserve orders are entered into the system as the standard order type. Reserve orders are available for immediate execution. Upon entry, and thereafter, reserve orders will attempt midpoint matches against contra-side orders. If reserve orders have no special qualifiers and are not immediately executed, they are placed into the reserve book as day orders. Reserve orders can be market or limit orders. Reserve orders must have a minimum quantity size of one round lot. Reserve orders can be cancelled at any point in time.

[0071] Reserve orders can have two time-in-force qualifiers – IOC and FOK. The immediate-or-cancel qualifier exposes the order to determine if there are contra-side orders against which it can be executed. Any round lot quantity that can be executed is then executed at the midpoint, and the remainder is returned to the sender as an UROut quantity.

5 The fill-or-kill qualifier exposes the order to determine whether there are contra-side orders against which it can be executed at the midpoint and in its entirety. It is either executed in its entirety or returned to the sender as a UROut.

[0072] Reserve orders are also eligible to have one execution instruction – AON. An all-or-none order can be entered into the system's reserve book. It will be eligible for execution at any time when executable contra-side orders exist. To the extent that it cannot be fully
10 executed, it will remain eligible for subsequent executions.

Summary of DRIP Feed (DF) Orders

[0073] A DF order is used to enter order sizes larger than the quantity that an order originator wants executed in a short time period. The DF serves as a control mechanism to
15 limit the size per unit time that can be executed. Its primary benefit is to allow a single order to emulate the placement of multiple small orders at periodic intervals. The DF order can have conditions attached to it, or it can just use the default parameters.

[0074] The DF is an additional condition on a regular reserve order. An order with the DF condition attached to it contains instructions for inserting portions of that order over a
20 given time interval. According to a given frequency, the system should feed the market with one order portion at a time, i.e. a calculated portion of an order will be entered into the book and will be available for matching. As a result of partial feeding, a large order may have many partial executions over a trading day. If the DF order is submitted without any parameters, the DF order will use the default parameters and calculate the number of full
25 intervals between the time of entry and the close of the trading day.

[0075] An incoming and validated DF order will trigger the timer related to the time interval value defining frequency of order portions entering the reserve book. The DF timer is set for each DF order. Upon order entry the timer is initiated and the first order portion is submitted. After expiry of the timer it will be restarted unless the last portion has been
30 inserted or the order has been entirely executed.

[0076] If a reserve order has instructions for inserting portions of the order over a given time interval, it will help to fulfill requirements by some firms to trade orders over the course of a period of time or the entire day, avoiding the execution of big portions of orders at any one time.

5 [0077] In essence, the system divides order quantity by number of complete time intervals to end of day and submits one portion (slice) to the market every "X" minutes, where X represents a quantity, such as 5 minutes. The final period may exceed X minutes and will encompass any remaining time to the close of trading (i.e., 16:00 EST). The number of complete time intervals is counted as the number of full intervals where the last one
10 finishes at or before 4:00. There will be a unique timer set for each order, meaning that each order independently times the intervals. To the customer it appears as one order that has many partial executions over the day. The order cannot be split into odd lots. The order portions must always be a multiple of the round lot. Drip feed orders are reserve orders and can be cancelled at any time.

15 [0078] Three optional variables may be entered on a reserve order that can be used to instruct the system how to feed the order into the system: number of intervals (default is number of intervals to end of day); time interval – how often the available quantity should be reviewed (default is a pre-set global parameter); and catch-up – can be yes or no (default is no for catch-up). The catch-up parameter instructs the system to add additional quantity if a
20 time interval lapses without an execution. If the catch-up parameter is not set, then exposure is limited to one slice at any time.

[0079] The participant may optionally specify, by order, the number of intervals that should be used to calculate the slice size. If not specified, the system will determine the number of intervals remaining between entry time and the end of the trading day, which is
25 normally 4:00. The participant can optionally specify the length of each interval. If they do not, it will default to the global parameter for default interval length.

[0080] If Catch-Up is specified, then at each interval, divide the remaining quantity into the number of remaining intervals. Round up to the nearest round-lot, ensuring that it does not exceed the total quantity. If the total quantity is exceeded, then round down. If Catch-Up
30 is not specified, then determine if the slice size is rounded up or down. If $(\text{Total-Quantity} / \text{Number Of Intervals}) \text{ Rounded-down} * \text{Number of Intervals} \geq \text{Round-lot size}$, then round up is permitted. Otherwise, it is not permitted. Without Catch-up, the Maximum-

Slice-size is Total-Quantity/Number of Intervals, rounded up only if round-up is permitted. The slice size cannot exceed the remaining quantity of the order.

[0081] If a period should elapse without the quantity fully trading then a UR Out should be sent immediately for the amount that did not trade.

5 Order Processing

[0082] Unlike standard market orders that trade at the NBBO, a buy market order according to the present invention would trade with a sell market order at the NBBO midpoint price. Executions will be in round lots (for example, 100 shares) and any odd lot portion of an order will be cancelled when the first execution report is issued (or the order is cancelled). A notification will be sent to the participant.

[0083] For a sell short order to be executable, short sale rules, if applicable, must be observed. Under an alternative embodiment of the invention, short sale rules are not observed. Under those rules, if an order is not executable, it is ignored until a favorable tick is calculated. Also, trades may be expressed in half-cent increments at or above the minimum price. The Max Decimals_in_Trade variable defines the maximum number of decimal positions in the execution price. The system provides execution reports with 2 decimal positions, or one cent, whenever possible. If the midpoint price is expressed in 3 decimal places (.015, 025 etc.), the report will be expressed in 3 decimal places, or to one-half of a cent. It should not exceed the Max_Decimals_in_Trade.

[0084] As will be described in more detail herein, the following is an overview of a process flow for executing an order, validation, NBBO execution and post-trade processing according to the present invention. Orders are entered anonymously, acknowledged upon arrival and time stamped. Orders are then typically assigned a unique identification number. If there are no opposing orders stored on the reserve book that match incoming orders, market orders and boundary orders with a valid time-in-force will remain on the reserve book. (The reserve book is a record of all orders received that have not been fully executed, cancelled or rejected. Stated differently, orders reside on the reserve book until they are cancelled, matched, or expired.) Orders may include instructions for how a buyer or seller wishes the order to be handled. For example, the order may be an SOI order or an RFC order. These types of orders will be discussed more fully below. The order may include an All-or-None (AON) instruction to be executed in its entirety or else cancelled. It may include an Immediate-or-Cancel (IOC) instruction and must be executed, fully or partially, immediately

upon receipt and then any unexecuted quantity must be cancelled. It may include a Fill-or-Kill (FOK) instruction and like an IOC order must be executed immediately. But an FOK order must be fully executed or else cancelled.

[0085] If there are opposing orders on the reserve book, but there is insufficient size to complete an incoming AON order, the matching algorithm, as discussed herein, will execute the AON order maximizing the tradable volume. That is, when an AON cannot be executed in its proper time priority, then the maximization algorithm is invoked, in which case any given AON order may or may not be executed, regardless of its time position in the reserve book. Market day orders and boundary day orders, or portions of orders, as well as orders bearing the AON execution instruction will reside on the reserve book. Neither FOK nor IOC orders reside on the reserve book. When orders are executed trade reports are generated and provided to the trade participants.

Matching Solicitation of Interest (SOI) Orders

[0086] Figure 4 is an algorithm, executable at a server apparatus, for matching an SOI order, according to the present invention. As shown in Figure 4, algorithm 400 is a series of steps, program code, or software, typically stored on a computer-readable medium that may be executed at a server, or other processing device to implement the present invention. As shown in Figure 4, execution of the algorithm begins with step 402. Transaction data is accessed in step 404. The transaction data typically includes, for example, data identifying an instrument, such as a stock, and a quantity of the instrument that is to be exchanged, sold or purchased. The transaction data will also include an instruction identifying what information will be disclosed to other market participants. Such information may be only the identity at the instrument (i.e., its symbol) or may include the side (buy or sell), size, or price. According to a further embodiment of the invention, the identity of the person or entity placing the order may be disclosed. A priority status associated with the transaction data is identified in step 406. The priority status may be based on the amount of information that the person or entity placing the SOI instructs to be disclosed. According to an embodiment of the invention, SOIs that disclose a symbol, side or size, and price are given the highest SOI priority. Those SOIs that disclose only symbol, or other limited information, are given the lowest SOI priority.

[0087] Message data corresponding to the transaction is provided to selected participant systems in step 408. The message data may be, for example, the instrument that is to be exchanged, a quantity of the instrument, whether the order is to buy or sell, the price of the instrument, the buyer or seller identity according to the instructions of the buyer or seller.

5 The message data is provided to one or more participant systems, as described herein. The participant systems selected may have a pre-established relationship with the message provider, or may be associated with an electronic address that is authorized to receive the message data. Also, the participant systems may be subscribers to a service. The message data may not be displayed by the participant system. However, it is also an embodiment that
10 the message data is displayed on a display screen or other user interface of the participant system.

[0088] A response to the message data, which may be a preprogrammed response, is received at the server as shown in step 410. The response is typically generated by a participant system processor and transmitted via the network to the server. Due to the limited
15 time frame, the participant systems are typically preprogrammed to generate a response based on received messages. Thus, as shown in step 412, an authorized transaction is executed at the server based on the transaction data and the response data.

[0089] Step 416 determines whether additional transaction data is available to be accessed. If so, yes line 418 leads to step 404, which shows that transaction data is accessed.
20 If no, line 420 leads to end step 422.

[0090] Figure 5 is an algorithm, executable at a communication appliance, for matching orders according to the present invention. As shown in Figure 5, algorithm 500 is a series of steps, program code, or software, typically stored on a computer-readable medium that may be executed at a participant system, or other processing device to implement the present
25 invention. As shown in Figure 5, execution of the algorithm begins with step 502.

[0091] Transaction data is received at the participant system, in step 504. The transaction data is typically transmitted from a server, as described herein, and includes, for example, data identifying an instrument, such as a stock and a quantity of the instrument that is to be sold or purchased. The transaction data may also include time data that indicates a period of
30 time for which the transaction is viable or available to execute, as shown in step 506. If the transaction is not completed prior to the period of time elapsing, the transaction is voided. A priority status is identified and associated with the transaction data, as shown in step 508.

[0092] A response to the transaction data, which is typically a preprogrammed response, is generated at the participant system and transmitted to the server, as shown in step 510. Due to the limited time frame, the participant systems are typically preprogrammed to generate a response based on received messages.

5 [0093] The server, as shown in Figure 2, then acts upon the response and disposition data (either a message containing a trade confirmation or a URout) is received at the participant system indicative of the status of the proposed transaction, as shown in step 512. This disposition data may include notification that the proposed transaction occurred or that the proposed transaction did not occur and when the proposed transaction did not occur, a reason
10 or explanation; such as the time elapsed, the prices did not match, or other information that explains the status of the proposed transaction.

[0094] Step 514 determines whether additional transaction data is available. If so, yes line 516 leads to step 504, which shows that transaction data is received at the participant system. If no, line 518 leads to end step 520.

15 [0095] The process for handling reserve orders that are not SOI or RFC orders is illustrated in Figure 6 and begins with start step 602. A market participant, operating participant system 110(a) generates an order request. Step 606 shows that the order is received, typically at the server apparatus, as described herein. The trading state is validated in step 608.

20 [0096] If the trading state is not valid (i.e., the instrument is not available for trading), the order is rejected, as shown in step 610. If the trading state is valid, the order is validated as shown in step 612. The order validation step uses a current NBBO midpoint/tick, which is retrieved, or accessed, from storage, or memory 614. The current midpoint/tick is generated as a function of determination step 620, which determines the NBBO midpoint and tick based
25 on data from exchanges 618 and UQDF/UTDF 622. If the order is not valid, the order is rejected as shown in step 610. If the order is valid, an order type is established in step 616. The order type may be, for example, an SOI, RFC, or reserve order.

[0097] If the order is an SOI or an RFC, a broadcast message is generated, as shown in step 628. This broadcast is provided to one or more participant systems, 110(b)...110(n),
30 which are market participants who may wish to respond to the SOI. SOI and RFC orders will be discussed more fully below.

[0098] Step 624 determines execution eligibility and contra side availability. If the order is not eligible for immediate execution, a determination is made whether the order is IOC and/or FOK, as shown in step 626. If the order is IOC/FOK, (immediate-or-cancel/fill-or-kill) the order is canceled, as shown in step 634. Following step 634, end step 640 is reached.

5 [0099] If the order is not IOC/FOK the order is placed in the reserve book, as shown in step 636. End step 640 is then reached.

[0100] If step 624 determines that the order is eligible, the order is executed, as shown in step 630. Line 631 shows that unexecuted portions of the order, or unexecuted quantity is processed as described in relation to step 626. Line 633 shows that a report of the
10 transaction, or trade, is reported to terminal 110(a). Line 635 shows that post trading processing occurs, as shown in step 632. Part of the post trade processing may include a report or message to DTC/NSCC 638. Also, end step 640 may be reached following step 632.

SOI Order Eligibility Determination

15 [0101] Figure 12 shows an illustration of a procedure 1200 to check if a reserve or SOI order is eligible for immediate execution upon arrival. Step 1202 shows that the execution eligibility and contra side availability is checked. A determination of a market halt is made in step 1204. If so, end step 1210 is reached. If not a determination whether the instrument is open is made, as shown in step 1206, if not, end step 1210 is reached.

20 [0102] If the instrument is open (available to be traded), a determination is made of a locked market exists, as shown in step 1208. If so, a determination is made whether locked market trading is permitted, as shown in step 1212. If locked market trading is not permitted, end step 1218 is reached. If locked market trading is permitted, a determination is made of a crossed market, as shown in step 1214. Step 1214 may also be reached via step 1208.

25 [0103] If step 1214 determines that the market is crossed, step 1216 determines whether crossed market trading is permitted. If not, end step 1218 is reached. If cross market trading is permitted, step 1220 is reached. Step 1220 may also be reached if step 1214 determines that a crossed market does not exist. A comparison is made to determine whether the NBBO bid and offer are greater than or equal to one dollar, if not, end step 1230 is reached. If so,
30 whether the order is a boundary and/or market order is determined in step 1228.

[0104] If step 1228 determines that it is a boundary order, step 1232 determines what action should be taken. If the order requires a sell short action, step 1222 is reached. A sell short action may require application of short sale rules. Furthermore, step 1222 determines whether the order can execute in view of the tick. If yes, step 1226 determines whether the price is less than or equal to the midpoint. If the price is not less than or equal to the midpoints, or it is not a valid tick, end step 1224 is reached. If the price is less than or equal to the midpoint a determination is made in step 1236 whether sufficient eligible contra side quantity is available. If yes, the order is executed as shown in step 1234. If not, end step 1224 is reached.

[0105] If step 1232 determines a sell/SSE order is in place, step 1234 determines whether the price is less than or equal to the midpoint. If not, end step 1224 is reached. If so, step 1236 is reached.

[0106] If step 1232 determines a buy order is in place step 1240 determines whether the price exceeds or is equal to the midpoint. If yes, step 1236 is reached. If not, end step 1230 is reached. Step 1238 follows step 1236 and shows that the order is executed.

Execution of Reserve Orders

[0107] Referring back to Figure 7, Figure 7 illustrates an example of an algorithm 700 for execution of a reserve order according to the present invention. Reserve orders are typically entered without announcement (i.e., the arrival does not generate an announcement to participant system terminals) and may be boundary-priced or market priced. The reserve orders may have a valid time in force, such as day, IOC or FOK. AON reserve orders are typically not entered as IOC or FOK. Reserve orders are available for immediate execution.

[0108] The reserve order handling algorithm begins with start step 702. A market participant at a participant system 110(a) generates an order. Step 704 shows that the order is received, typically at the server apparatus, as described herein. The trading state is validated in step 706.

[0109] If the trading state is not valid, the order is rejected, as shown in step 708. If the trading state is valid, a determination is made whether the order is IOC/FOK, as shown in step 710. If the order is IOC/FOK, a determination is made whether previously received reserve orders for the instrument are available, as shown in step 712. If not, the order is rejected, as shown in step 708. If the instrument is open, that is, if corresponding orders to trade against the incoming order are stored on the reserve book, a determination is made

whether the order is a valid reserve order, as shown in step 714. Step 714 may also be reached from step 710, if the instrument is not open. If the order is not a valid reserve order, the order is rejected, as shown in step 708.

[0110] If the order is a valid reserve order, execution eligibility and contra side availability is determined, as shown in step 716. If the determination of step 716 is affirmative, the order is executed, as shown in step 722.

[0111] If the determination in step 716 is negative, (or a “no” result) the unexecuted quantity may be executed as shown in step 722. Also, a determination of IOC/FOK is made in step 718.

[0112] If the order is not IOC/FOK, the order is placed in the reserve book, as shown in step 720. If the order is IOC/FOK, the order is canceled, as shown in step 726. A status report is provided to the participant system 110(a), as shown in step 728 and end step 740 is reached.

Execution of Orders Based on Type of Order

[0113] Figure 8 is an algorithm, program code, series of steps or software 800, stored on a computer-readable medium, that is executable at a server apparatus, for performing a transaction based on parameters of the transaction. The algorithm begins, as shown in step 802. The type of transaction, or order is identified in step 804. Based on whether the order is a reserve order, SOI or RFC, and based on instructions accompanying the order, a priority of order execution is established.

[0114] According to one embodiment of the invention, RFC orders are given priority over SOI orders. According to an alternative embodiment of the invention, SOI orders are given priority over reserve and RFC orders. Among SOI orders, priority is established based on the information broadcast to market participants. For example, SOI orders in which symbol, size, side and price information are broadcast are given priority over SOI orders where only symbol information is broadcast as shown in step 806.

[0115] A determination is made whether a predetermined time period has elapsed to execute the SOI order, as shown in step 808. If not, “no” line 812 shows that step 806 is repeated. If the predetermined period of time has elapsed, “yes” line 814 shows that SOI orders are converted to standard reserve orders, as shown in step 810. SOI orders are

executed against previously stored reserve orders and responses received from market participants in response to the broadcast information.

[0116] After all SOI orders have been either executed or voided, for example due to elapsed time, the other types of orders may be executed, as shown in step 816.

5 [0117] Also, as stated above, if step 804 determines that the transaction does not include SOI orders, then line 824 leads to step 816, in which Request-for-Cross (RFC) orders are executed. Similar to SOI orders, RFC orders include instructions for broadcasting information to selected market participants. The RFC orders are executed based on one or more criteria, as shown in step 816. These criteria include, for example, the amount of
10 information broadcast about the RFC order, whether the order is an ask or a bid (side), quantity of the order (size), identity of the buyer/seller and other criteria.

[0118] A determination of whether a predetermined time period has elapsed is made, as shown by step 818. If not, “no” line 820 leads to step 816, in which viable RFC orders are executed based on the criteria described herein. If the predetermined time period has elapsed,
15 “yes” line 822 leads to step 826, in which non-executed RFC orders are converted into reserve orders. A determination is made in step 828 whether there are any all-or-none (AON) orders. If so, yes line 832 leads to step 816. If not, “no” line 830 leads to step 834, in which all valid orders are executed. The algorithm ends, as shown in step 836.

DRIP Feed

20 [0119] Figure 9 is an algorithm, program code, series of steps or software 900, stored on a computer-readable medium, that is executable at a server apparatus and/or participant system, for executing an order according to the present invention. Algorithm 900 enables a single order to be executed as a plurality of smaller orders, thereby mitigating effects of the order on the market, such as price fluctuations and changes in demand for an instrument. The
25 algorithm begins with start step 902. The size of the order to be exchanged, either bought or sold, is identified, as shown in step 904. An amount of time remaining in which the order may be transacted is determined in step 906.

[0120] A status, such as RFC, for selected portions of the order is determined in step 908. Portions of the order are submitted for transacting, or exchanging, as shown in step 910. For
30 example, if an order to purchase 10,000 shares of a stock is received and there are five hours remaining in the trading day then, according to one embodiment of the invention, orders for 2,000 shares would be scheduled to be submitted each hour. This is typically accomplished

by submitting portions of the order to the reserve book. Prior to submitting a subsequent portion of the order, the percentage, or portion or part, of the previously submitted order that has been executed is determined in step 912. A determination is made whether additional, or extra, portions of the order need to be added to the subsequent portion in order to “catch-up” the rate of executing transactions, as shown in step 914. If catch-up is necessary, “yes” line 916 leads to step 906. If catch-up is not necessary, “no” line 918 shows that pro rata portions of the order are executed, as shown in step 920. Decision step 922 determines whether the order has been completely transacted. If not, “no” line 924 leads to step 906. If the order has been completely transacted, “yes” line 926 leads to end step 928.

- 10 [0121] The process described in relation to Figure 9 may be used as part of a transaction system as described herein, or as a distinct algorithm.

Execution of SOI Orders

- [0122] As described above, an SOI order may be executed as shown in Figure 10. Specifically, Figure 10 illustrates an example of execution of an SOI order according to the present invention. A transaction involving SOI orders may also have a priority scheme that determines a sequence or priority for action.

- [0123] SOIs may execute immediately upon entry and they remain available for execution during their lifetime. SOIs typically have a minimum size defined by the SOI_Minimum_Size parameter, which is usually at least one round lot of 100 shares. If the SOI quantity is less than the allowed minimum, the order may be rejected with the error message.

- [0124] SOI Time in Force is limited to DAY or IOC. FOK and AON instructions are not valid execution instructions for SOI orders and such orders will be rejected with an error message. Upon arrival of an SOI, a timer is started that is equal to the SOI_No_Cancellation Interval. The SOI_No_Cancellation interval is a global system parameter. According to one embodiment of the present invention, the value may be zero or a valid number of seconds. A non-zero value prevents an SOI order from being cancelled before the timer expires and a zero value means the order is not subject to a cancellation interval and can, therefore, be cancelled immediately.

- 30 [0125] SOI orders with a Time in Force = IOC remain in the reserve book for a minimum amount of time (unless matched) equal to the SOI_No_Cancellation_Interval. At the expiration of this interval, unexecuted IOC orders will be cancelled. SOIs may be entered to

Buy or Sell. Sell Short Exempt orders may also be permitted. Sell Short Exempt orders, if permitted, are treated like standard Sell orders.

[0126] Sell Short SOI orders are not permitted and they are rejected with an error message. SOIs can be market or boundary priced. The SOI Boundary price is validated when the SOI order is received. According to one embodiment of the present invention, to be valid, the boundary price must either be 1) at the midpoint price or better 2) at the NBBO price (buy on the offer; sell on the bid) or better.

[0127] Orders that fail the SOI Price Validation will be rejected with an error message. If the order is to be priced at the NBBO, there is a unique message depending upon the side of the order-e.g. the order is a buy or a sell order. SOI Boundary orders that fail price validation are not entered into the reserve book. They are rejected.

[0128] The boundary price validation and the No_Cancellation_Interval, together, prevent users from manipulating the market by announcing large orders close to the market price and canceling them before they can trade.

[0129] SOI orders have execution priority over reserve orders. SOIs retain their execution priority over Reserve Orders for a specified period of time identified as SOI_Life_Time. The value is expressed in seconds. A zero life time value disables the SOI priority.

[0130] At the expiration of the SOI_Life_Time interval, an SOI DAY order will be converted into a Reserve Order, losing its SOI execution priority. It will retain its original order number and timestamp. There will typically not be a message sent to members alerting them of the order conversion. According to an alternative embodiment of the invention, an SOI may have its time of entry reset at the end of the SOI_Life_Time parameter.

[0131] If converted into a Reserve Order, the former SOI order will be stored in the order book among other Reserve Orders based on its original SOI timestamp. If an executable opposing Reserve Order is entered, eligible Reserve Orders submitted at an earlier time will be executed first.

[0132] There may be multiple SOIs in the same instrument simultaneously. They may be entered by the same participant. Each one will initiate its own SOI_No_Cancellation_Interval and SOI_Life_Time timers.

[0133] Unlike the Reserve Order which is entered silently, the accepted SOI order causes a message to be broadcast to all enabled participants announcing its arrival and limited, user-specified terms of the order. The outbound SOI message will always contain the symbol and will optionally expose the side and/or size of the order based upon instructions passed with the order or maintained.

[0134] The outbound SOI message is typically distributed immediately upon arrival, regardless of whether the order is executed in part or in full.

[0135] SOIs can execute against Reserve Orders and other SOIs following priority rules. For example, it is also an embodiment of the present invention that orders are executed in priority sequence. SOI orders have execution priority based upon the variables exposed in the outbound SOI message. An SOI order with both quantity and side exposed (in addition to symbol) has the highest execution priority. SOI orders have priority over Reserve Orders during the SOI_Life_Time. At the expiration of the SOI_Life_Time interval, the order is converted to a Reserve Order and has Reserve Order priority from then on.

[0136] Each trade record should include the order category. If the order is executed while it remains an SOI, the order will be reflected as an SOI. If it is executed after it is converted to a Reserve Order, it will be reflected as a Reserve Order.

[0137] Execution reports are logged and time-stamped and given a unique execution ID. Even if pairs of orders exist that appear to match, for a trade to occur, they must be tradable at the NBBO midpoint price.

[0138] An SOI order with either quantity or side exposed (in addition to symbol) will be next in priority. There is typically no implicit priority of exposing side over size (or size over side). This is based strictly upon time. An SOI with only symbol exposed (neither side nor size) will have the lowest SOI priority. Within each order category, orders are executed in time priority.

[0139] There is no priority associated with market orders over boundary orders, no ranking of better boundary prices over lesser priced boundary prices nor ranking by Order Capacity (Agency vs. Principal vs. Riskless Principal). SOIs may only be entered when the stock is open. They are not allowed in pre-open or halted states.

[0140] An illustration of the execution at SOI order is provided by Figure 10. The process shown as flowchart 1000, begins with start step 1002. Participant system 110(a)

generates an SOI order. The order is received as shown in step 1006. The order is validated in step 1008. If the order is not valid, it is rejected as shown in step 1014. If the order is valid, a determination is made whether the instrument is open, as shown in step 1010, if not, the order is rejected. If the instrument is open, a determination is made whether it is a valid SOI order, as shown in step 1012. If not, the order is rejected. If it is a valid SOI order, price eligibility is checked in step 1016. If the SOI is price eligible, an SOI no cancellation clock is initiated, as shown in step 1020, and an SOI life-time timer is also initiated as shown in step 1018. Selected information about SOI is broadcast to participant systems 110(b) ... 110(n), as shown in step 1022.

[0141] A determination is made of the execution eligibility and contra side availability, as shown in step 1024. If the determination is positive, the order is executed, as shown in step 1040 and step 1042.

[0142] If the determination of step 1024 is negative, the unexecuted quantity may be executed as shown in step 1040. Furthermore, an IOC determination is made, as shown in step 1026. If the IOC is negative, a determination of the SOI life time over is made, as shown in step 1038. If not, if the order does not exist on the book, the order is placed as an SOI, as shown in step 1044. Also, the timer is checked.

[0143] If the SOI life time has expired, any unexecuted portions of the SOI order is converted to a reserve order and placed in the book, as shown in step 1036. End step 1050 is then reached.

[0144] If the outcome of step 1026 is affirmative, a determination is made whether the SOI no cancellation time has expired, as shown in step 1028. If not, if the order does not exist on the book, the order is placed as an SOI, as shown in step 1030. Also, the timer is checked.

[0145] If the determination in step 1028 is that the SOI no cancellation timer has expired, the order is canceled, as shown in step 1032 and a report is generated and provided to participants, as shown in step 1034.

NBBO Calculation

[0146] Figure 11 is a diagram illustrating the NBBO midpoint calculation and tick relevance based on information related to one or more exchanges according to the present invention.

[0147] It is also an embodiment of the present invention that sell short orders that pass tick validation are eligible for matching.

[0148] The present invention provides that reserve orders that are not eligible for execution when received remain on the book, during which they can become eligible for exposure to the matching process when the NBBO midpoint changes to make them eligible. The present system will perform all of its executions at the NBBO midpoint. There is one execution price for a given NBBO bid and ask.

[0149] According to one embodiment of the invention, upon receipt of new bid and/or ask price resulting in a new midpoint calculation, eligible orders residing on the reserve book are executed before processing any incoming order, thereby preserving time priority. All order types, including market orders and boundary orders, will execute at the NBBO midpoint. All orders types are eligible to match against each other. For example, an SOI order can be matched against any eligible Reserve Orders and other SOIs. However, SOI orders have execution priority over Reserve Orders during the SOI_Life_Time interval.

[0150] According to one embodiment of the invention, a minimum price parameter is established such that, if both the NBBO bid and NBBO offer are equal to or greater than the minimum-price, then a valid NBBO midpoint execution price is achieved. The midpoint price is expressed in one cent or half-cent increments.

[0151] If the NBBO bid or ask is less than the minimum_price, no orders will execute, including any boundary orders at minimum price or higher and market orders residing on the book.

[0152] The process described above is illustrated in Figure 11 as algorithm 1100. Step 1102 shows that an NBBO midpoint and tick is established. A determination is made if the order is a listed security or a NASDAQ security in step 1104.

[0153] If the order is a listed security, the NBBO bid/ask is obtained from a feed, as shown in step 1108. This feed is typically provided by an exchange 1106. The midpoint price is an average of the bid and ask and is calculated as the bid plus the ask, divided by two, as shown in step 1110. The tick is determined as follows, a last sale is obtained from CTS 1112, as shown in step 1114. A determination of the first trade of the day is made, as shown in step 1116. If it is, the tick is not available, as shown in step 1124. If it is not the first trade of the day, a comparison of the current last sale and the previous last sale is made in step 1118. Based on that comparison, if the current last is less than the previous last sale, step

1120 shows a minus tick. If the current last exceeds the previous last sale step 1126 shows a plus tick.

[0154] If the current last is equal to the previous last sale, the previous last tick is checked, as shown in step 1122. A result of plus zero plus yields a zero plus tick, as shown in step 1128 and a minus zero minus yields a zero minus tick, as shown in step 1130. If the previous tick is not available, end step 1150 is reached.

[0155] If the instrument is a NASDAQ security, the NBBO bid/ask is obtained from the UQDF feed, as shown in step 1142. The midpoint is an average of the bid and ask and is calculated as the bid plus the ask divided by two, as shown in step 1146. The tick is obtained from UTDF, as shown in step 1148.

Cancellation Procedure

[0156] Figure 13 shows an order cancellation procedure 1300. In step 1302 an order is provided by a market participant 110(a). The participant then provides a cancel request as shown in step 1304. A determination of the validity of the request is made in step 1306. If invalid, rejection of the cancel order is performed in step 1312 and a report of that action is provided to the participant system 110(a). If the request is valid, a determination of the timeliness of the cancel order is determined in step 1308. If it is too late, step 1312 is reached. If it is not too late, a determination of an SOI or reserve order is made in step 1310.

[0157] If the order is an SOI, step 1314 determines whether the SOI cancellation timer has expired. If not, step 1312 is reached. If the timer has expired, cancel order step 1316 is reached. If step 1310 determines a reserve order is placed, cancel order step 1316 is reached. Following cancel order step 1316, end step 1320 is reached.

First Trade Procedure

[0158] Figure 14 shows conditions to perform a first trade algorithm 1400 for an instrument according to an embodiment of the invention. Start step 1402 is followed by a timing determination step 1404. If the timing is not open end step 1406 is reached. If the timing is open, a determination is made in step 1408 whether the instrument is a listed security or a NASDAQ security.

[0159] For a listed security, the system will obtain an NBBO bid/ask from a CQS feed 1412 as shown in step 1410. Step 1420 shows that the last sale from CTS 1416 was determined. If last sale data is found, a determination is made in step 1426 whether the

market is locked. If so, step 1428 determines if locked market trading is permitted. If not, end step 1430 is reached. If yes, a determination is made in step 1432 whether a crossed market exist. If yes, step 1434 determines if crossed market trading is permitted. If not, end step 1430 is reached. If so, an open stock determination is made in step 1436. Step 1438 shows that the order is executed.

[0160] When step 1408 determines a NASDAQ security step 1422 obtains an NBBO bid/ask price from a UQDF feed. Step 1424 determines an opening at a crossed condition, if not end step 1430 is reached. If so, step 1426, as described herein, is reached.

Maximization Algorithm

[0161] It is another embodiment that the execution of the transactions will be performed as efficiently as possible to maximize the volume of transactions that are executed. While many types of algorithms may be used, the following is an example of one algorithm that provides efficient exchanges based on the quantities of instruments available.

[0162] The following algorithm will run when an executable order cannot be executed under the priority scheme.

[0163] For marketable AON orders on one side of the book, the matching algorithm finds the volumes from all possible sums on the order quantities. This algorithm is run for both sides of the book. It then finds the largest volume that both sides have in common. Finally, it repeats, or “walks back” through the orders to find which ones would trade to the specified volume.

Details of the Algorithm:

[0164] When one side of the book has three marketable AON orders (there are no regular orders) with the quantities are 7, 3 and 2. For purposes of this example, the orders are sorted in time priority with 7 having the highest priority and 2 having the lowest priority. The algorithm is as follows.

1. Table Set up: On the left side, rows are added for each order quantity in reverse priority order, with an initial row containing 0 (which signifies the volume from no orders trading). The entire range of volume levels are added along the top (this would be 0-12, 0 for no orders trading and 12 for 2 + 3 + 7). This table will show the volumes that any set of orders can trade at.

	0	1	2	3	4	5	6	7	8	9	10	11	12
0													
2													
3													
7													

2. Establish First Row: For the first row, the only volume from 0 is 0. An “a” in a column will indicate that the volume can be made from the order quantity at the row containing the “a” and any previous rows. So for the first row, an “a” is in column 0 only.

	0	1	2	3	4	5	6	7	8	9	10	11	12
0	A												
2													
3													
7													

3. Establish Second Row: For the second row, the location of any “a” is shifted from the previous row to the right by the quantity specified in the far left column. So, for the second row, any shifted “a’s” are the volumes that contain the quantity in the second row. These shifted positions will be labeled with a “b”. From the above table, the first row is shifted to the right by two and the result is placed in the second row:

	0	1	2	3	4	5	6	7	8	9	10	11	12
0	A												
2			B										
3													
7													

4. Establish Third Row: Now any existing “a’s” from the previous row are copied to the new row. The copied “a’s” represent the volumes that do not include the current order quantity. So copying the “a” from column 0, updates the second row to look like:

	0	1	2	3	4	5	6	7	8	9	10	11	12
0	A												
2	A		B										
3													
7													

5 [0165] Thus, the second row means that with an order of 2, either trade 0 (don’t trade the quantity of 2) or 2 (trade the quantity of 2).

5. Modify Third Row: Now for the third, the second row is shifted to the right by 3 and saving the result to the third row:

	0	1	2	3	4	5	6	7	8	9	10	11	12
0	A												
2	A		B										
3				b		b							
7													

10 6. When copying the previous row, any “b” from the previous row becomes an “a” in the current row. If a cell contains a “b” before copying the previous row, the “b” should remain a “b”. So copying the orders from the previous row, the result for the third row is:

	0	1	2	3	4	5	6	7	8	9	10	11	12
0	A												
2	A		B										
3	A		A	b		b							

7												
---	--	--	--	--	--	--	--	--	--	--	--	--

Thus, the third row means that with an order of quantity 2 and an order of quantity 3, either trade 0 (no orders), 2 (trade the quantity of 2), 3 (trade the quantity of 3), or 5 (trade the 2 and the 3).

- 5 7. The first step for the last row would offset row 3 by 7 and give the result:

	0	1	2	3	4	5	6	7	8	9	10	11	12
0	A												
2	A		B										
3	A		A	b		b							
7								b		b	b		b

8. Now copying row 3 gives a final result of:

	0	1	2	3	4	5	6	7	8	9	10	11	12
0	A												
2	A		b										
3	A		a	b		b							
7	A		a	a		a		b		b	b		b

The final row contains all possible volumes that a subgroup of these orders can trade at.

Finding the Orders Associated With a Volume

- 10 [0166] If the above-described algorithm is used for a set of orders on the other side and it was found that the largest column for which they both have an “a” or a “b” is 9. That means that the maximum deal volume for that set of orders is 9. For this portion the algorithm “looks” only at “b’s” because they represent the possible deal volumes that contain the order quantity in this row. This is the reason for not overwriting a “b” with an “a”.

- 15 Using the result table in step 8:

1. In the last row above, if there is a “b” in column 9, this is equivalent to determining if there is a volume of 9 that contains the quantity from the last row. A “b” in the column means that this row participated in the trade. The last order in the graph is checked first because it actually has the highest priority. The last row has an “a”, so this order quantity is subtracted from the total volume and this order is added to the list of traded orders. This new volume represents the volume remaining in the deal where the corresponding orders have not been discovered. In this example, the remaining volume that is needed is 2.
2. Moving up the graph, find the next row that has a ‘b’ in the column of the remaining volume.
3. If the current row does not contain an “a” in the column of the remaining volume, the row is skipped and the next row is determined.
4. Following these procedures, the order quantities that make up the deal volume of 9 are 7 and 2.
5. If no orders can trade, then max volume will be 0 initially, and the algorithm will end.

[0167] This algorithm selects a matched group of orders based on highest priority of any traded order in that group, or a “best of the best” algorithm. The algorithm can be modified so that it selects a group of orders whose priority is better than any of the other matched groups’ worst priorities, or a “best of the worst” algorithm. In either case, the algorithm will only consider groups of orders whose quantities add to the maximum volume.

[0168] The benefits of doing the order matching in this manner occur because the shifting of the volumes and the copying of the previous row can each be done in a single computer operation. So the entire algorithm, assuming that the sum of all AON order quantities on either side isn’t extremely large (50,000,000), can run in near linear time with respect to the number of orders that it is matching. So matching 20 orders of size 10,000 would take about two and a half times as long as matching 10 orders of size 10,000. Doubling the average order size decreases the speed by 30%-40%. Thus, number of orders, including all orders at opening rotation, can be processed efficiently.

[0169] Figure 15 shows a maximization algorithm 1500 used according to the present invention. As shown in Figure 15, start block 1502 begins the algorithm. Eligible SOI and reserve orders are received as shown in step 1504. Orders are matched based on time priority

as shown in step 1506. The presence of orders with all or none instructions is determined in step 1508. If no AON orders are found, line 1510 leads to step 1506. If an AON order is detected, “yes” line 1512 shows that the unexecuted balance of SOI orders and reserved orders will be executed according to an algorithm that maximizes their trades, as shown in
5 step 1514. Step 1516 shows that an array of bits representing possible round lots (for SOI and reserve orders) that can be traded for that side are determined. Step 1518 shows that data is saved in the current bit array as a new bit array.

[0170] Decision step 1520 determines whether the order is an AON or a regular order. Line 1521 shows that step 1522 is reached if the order is an AON order. In step 1522 each
10 bit is moved “n” places to perform a shift operation. The bits that have been moved, or shifted, are copied as shown in step 1524. Step 1526 shows that the final bits from the shift operation are stored.

[0171] If step 1520 determines that it is a regular order, line 1523 leads to step 1540 in which the bits between the original location and the new location are set, a “smudge”
15 operation. Step 1544 shows that the new array is copied into the original bit array. Step 1546 shows that the new array (“smudged array”) is stored. Step 1550 shows that the new bit array for the regular order is compared to the new bit array for the AON order. Step 1552 shows that a match is made between the stored bits for the regular order and the stored bits for the AON order. This number of bits represents the number of round lots that may be traded.

20 Step 1554 shows that the algorithm ends.

[0172] Thus, while fundamental novel features of the invention have been shown and described and pointed out herein, it will be understood that various omissions and substitutions and changes in the form and details of the devices illustrated, and in their
25 operation, may be made by those skilled in the art without departing from the spirit of the invention. For example, it is expressly intended that all combinations of those elements and/or method steps which perform substantially the same function in substantially the same way to achieve the same results are within the scope of the invention. Moreover, it should be recognized that structures and/or elements and/or method steps shown and/or described in connection with any disclosed form or embodiment of the invention may be incorporated in
30 another form or embodiment. It is the intention, therefore, to be limited only as indicated by the scope of the claims appended hereto.

CLAIMS

What Is Claimed Is:

1. An automated system for matching orders to buy and sell securities comprising:
 - an interface connected to a computer network;
 - one or more automated trading systems connected to the network, wherein orders for the securities can be communicated between the interface and the trading systems via the network;
 - a processor connected to the interface, the processor adapted to match orders for the securities according to a priority scheme; and
 - matching means for maximizing tradable volume when an order can not be matched according to the priority scheme.
2. The automated system of claim 1, wherein the priority scheme is a function of an amount of information provided by a party to the transaction.
3. The automated system of claim 2, wherein the information includes a quantity, identity and price.
4. The automated system of claim 2, wherein the information includes a buy or sell transaction.
5. The automated system of claim 1, wherein the order includes SOI, RFC, or reserve orders.
6. A method for matching orders to buy and sell securities comprising the steps of:
 - receiving an SOI order;
 - identifying a priority status associated with said SOI order;
 - providing message data to one or more participant systems, the message data indicative of select attributes of the SOI order;
 - receiving response orders from the one or more participant systems in response to the message data;

automatically matching the SOI order against one or more executable orders according to a priority scheme; and

executing a matching algorithm that maximizes tradable volume when one or more of the executable orders can not be matched according to the priority scheme.

7. An automated system for matching orders to purchase and sell a financial instrument comprising:

an interface adapted to transmit and receive information from market participants, wherein the interface receives orders to purchase and sell the instrument, and wherein the orders include reserve orders, request for cross (RFC) orders, and solicitation of interest (SOI) orders;

a memory connected with the interface;

a processor connected with the memory and with the interface to match orders to purchase and orders to sell the instrument, wherein the processor matches the orders such that RFC orders are matched before SOI orders and SOI orders are matched before reserve orders.

8. The system according to claim 7 wherein the processor matches the orders to purchase and the orders to sell the instrument at the mid-point of the national best bid and offer (NBBO) price.

9. The system according to claim 7, further comprising a lifetime timer, and wherein the lifetime timer starts when an SOI order is received and the SOI order retains its status as an SOI order until expiry of the lifetime timer.

10. The system according to claim 9, wherein when the lifetime timer expires, the SOI order becomes a reserve order.

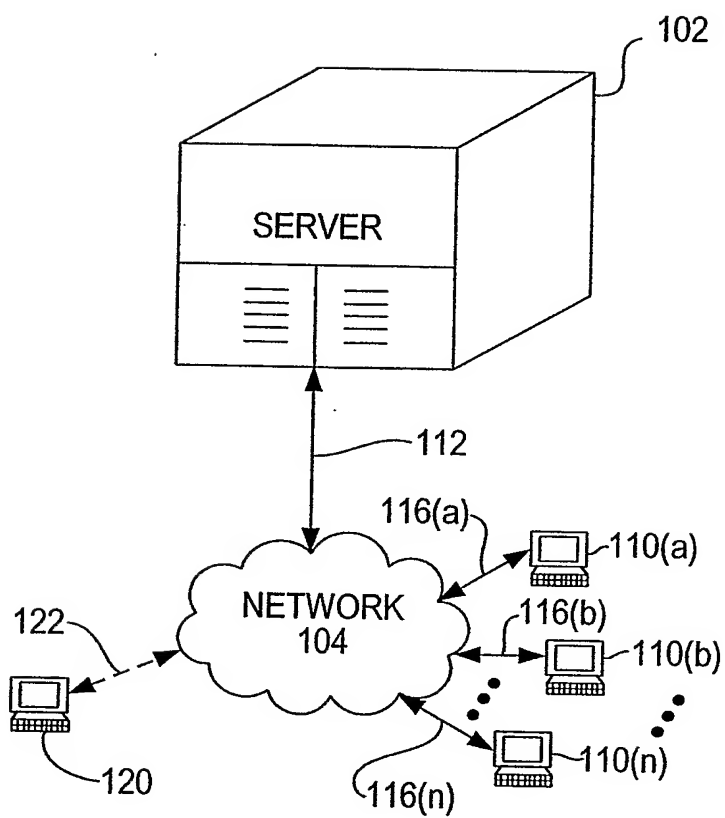
11. The system according to claim 9, further comprising a no cancel timer, wherein the interface is adapted to receive an instruction to cancel an order, wherein the no cancel timer starts when the SOI order is received, and wherein the processor will reject the instruction to cancel received before the expiry of the no cancel timer.

12. The system according to claim 7, wherein the SOI orders include instructions for disclosing information about the order to one or more market participants and wherein a priority for matching SOI orders is established based on the amount of information to be disclosed.

13. The system according to claim 7, further comprising an exposure timer, and wherein the exposure timer starts when an RFC order is received and the RFC order retains its status as an RFC order until expiry of the exposure timer.
14. The system according to claim 13, wherein when the exposure timer expires, the RFC order becomes a reserve order.
15. The system according to claim 14, wherein a plurality of RFC orders are received at different times and wherein each of the plurality of RFC orders become reserve orders at the expiry of exposure timer of the earliest of the RFC orders to be received.
16. The system according to claim 12, wherein the instructions for disclosing information about the SOI order include instructions to disclose one or more of (i) the identity of the instrument, (ii) the side, (iii) the size and (iv) the price of the order, and (v) the identity of the person or entity placing the order.
17. The system according to claim 7, further comprising means for maximizing a tradeable volume of RFC orders, SOI orders, and reserve orders.
18. The system according to claim 7, wherein the RFC orders include instructions for disclosing information about the RFC order to one or more market participants and wherein a priority for matching RFC orders is established based on the amount of information to be disclosed.
19. The system according to claim 18, wherein the instructions for disclosing information about the RFC order include instructions to disclose one or more of (i) the identity of the instrument, (ii) the side, (iii) the size and (iv) the price of the order, and (v) the identity of the person or entity placing the order.
20. A system for trading financial instruments comprising:
 - an interface that receives a first order and a plurality of second orders;
 - a memory connected to the interface, wherein the memory stores the first and second orders;
 - a processor adapted to divide the first order into a plurality of order portions and to match one of the second orders with one of the order portions at a first time point and to match another of the second orders with another order portion at a second time point.

21. The system according to claim 20, further comprising a timer, wherein the timer determines a plurality of time points equal to the number of order portions and wherein the processor matches one of the second orders with an order portion at each of the time points.
22. The system according to claim 21, wherein the plurality of time points are equally distributed over a time span.
23. The system according to claim 20, wherein, if at a third time point no second order remains unmatched with an order portion, the processor matches a plurality of order portions with a second order at a fourth time point, the fourth time point being later in time than the third time point.

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100**FIG. 1**

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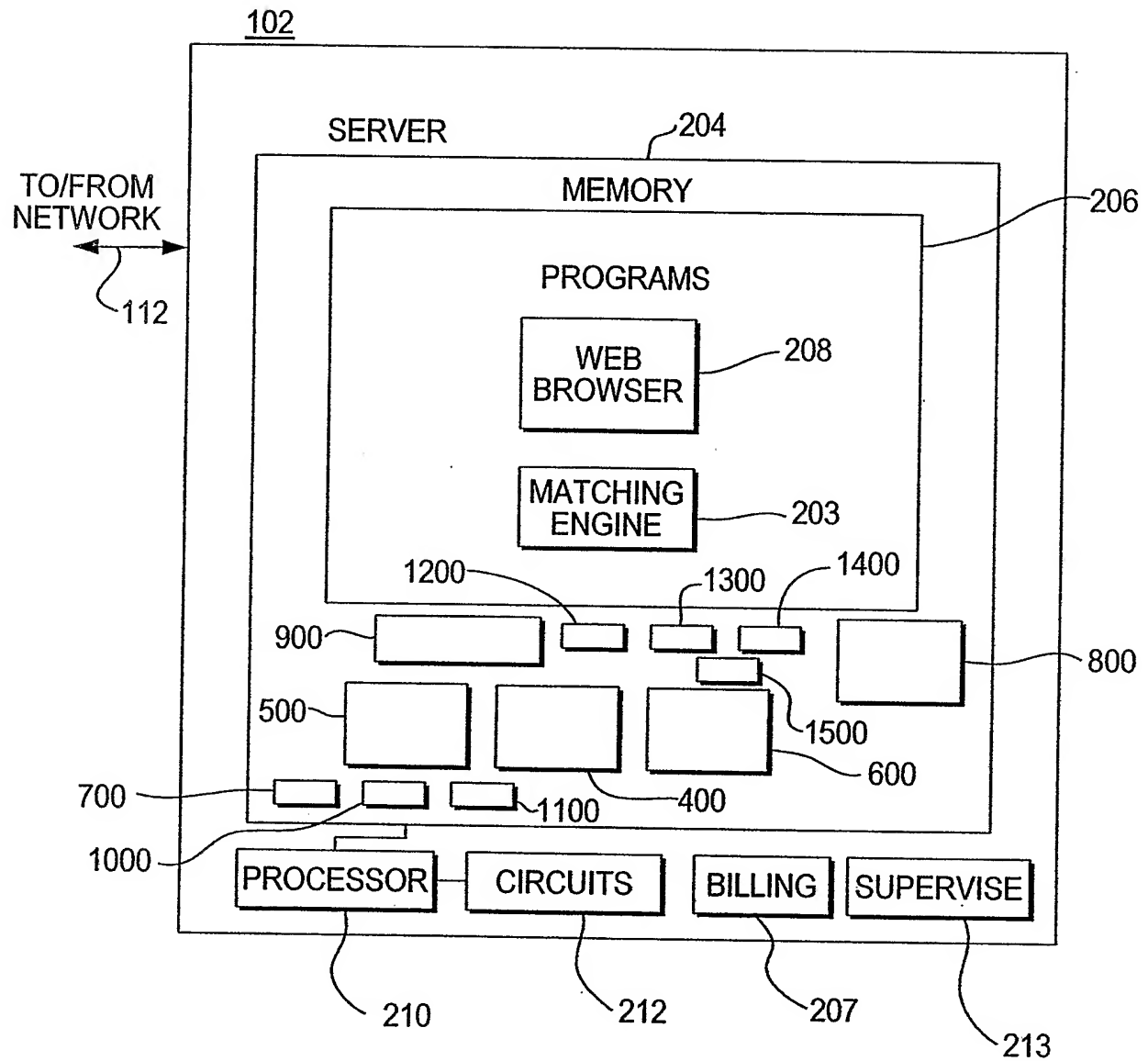


FIG. 2

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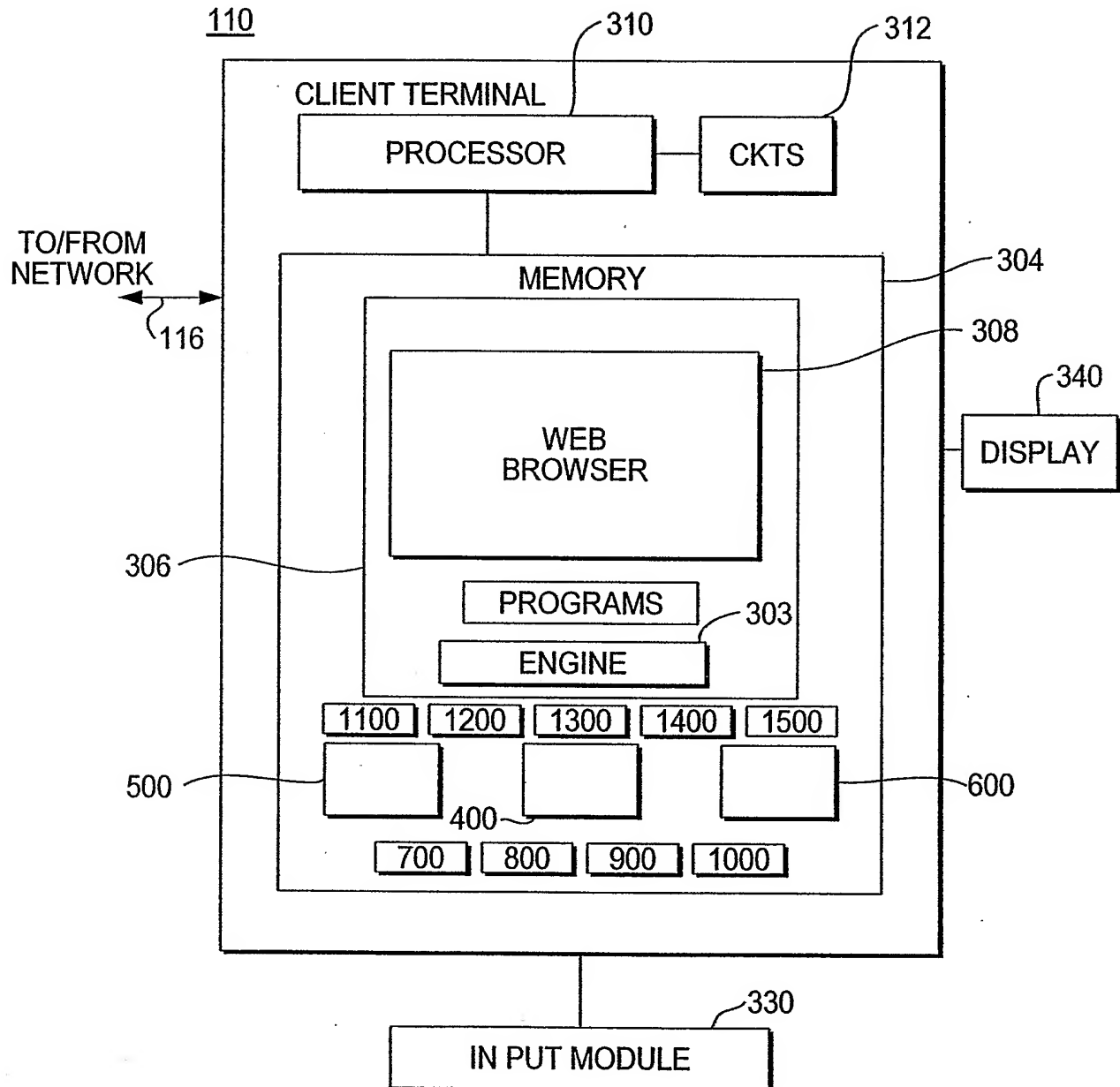
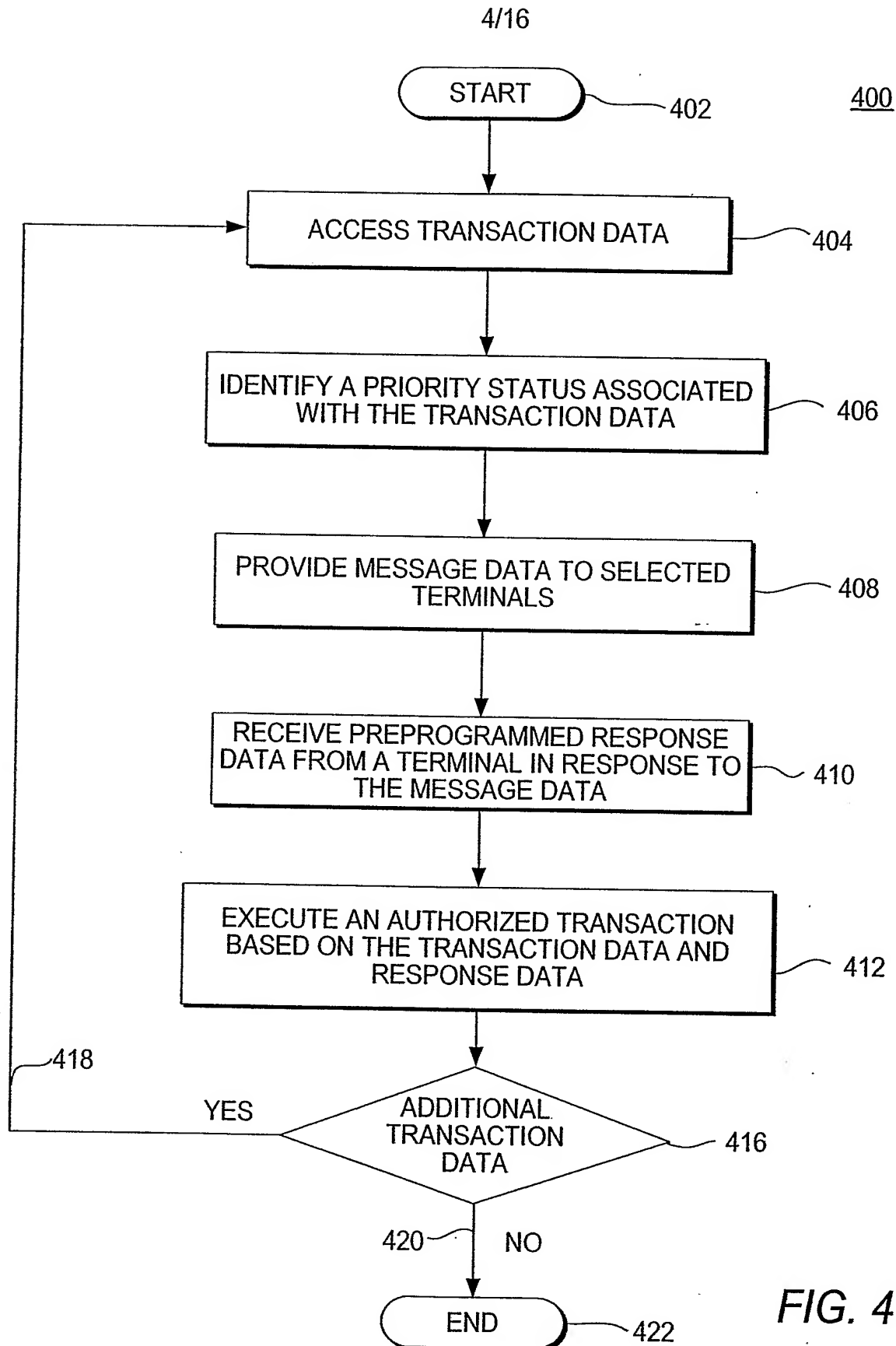
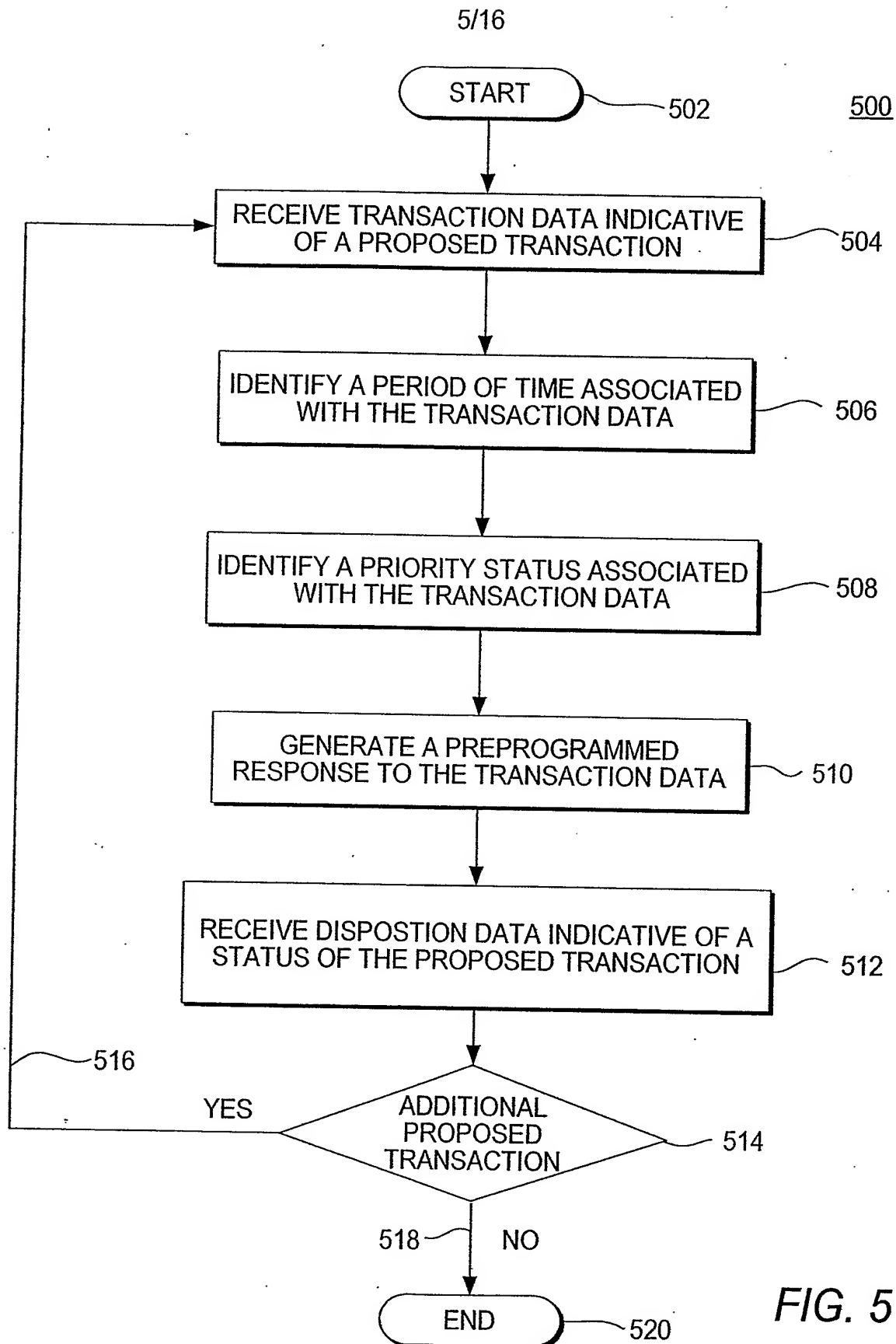


FIG 3





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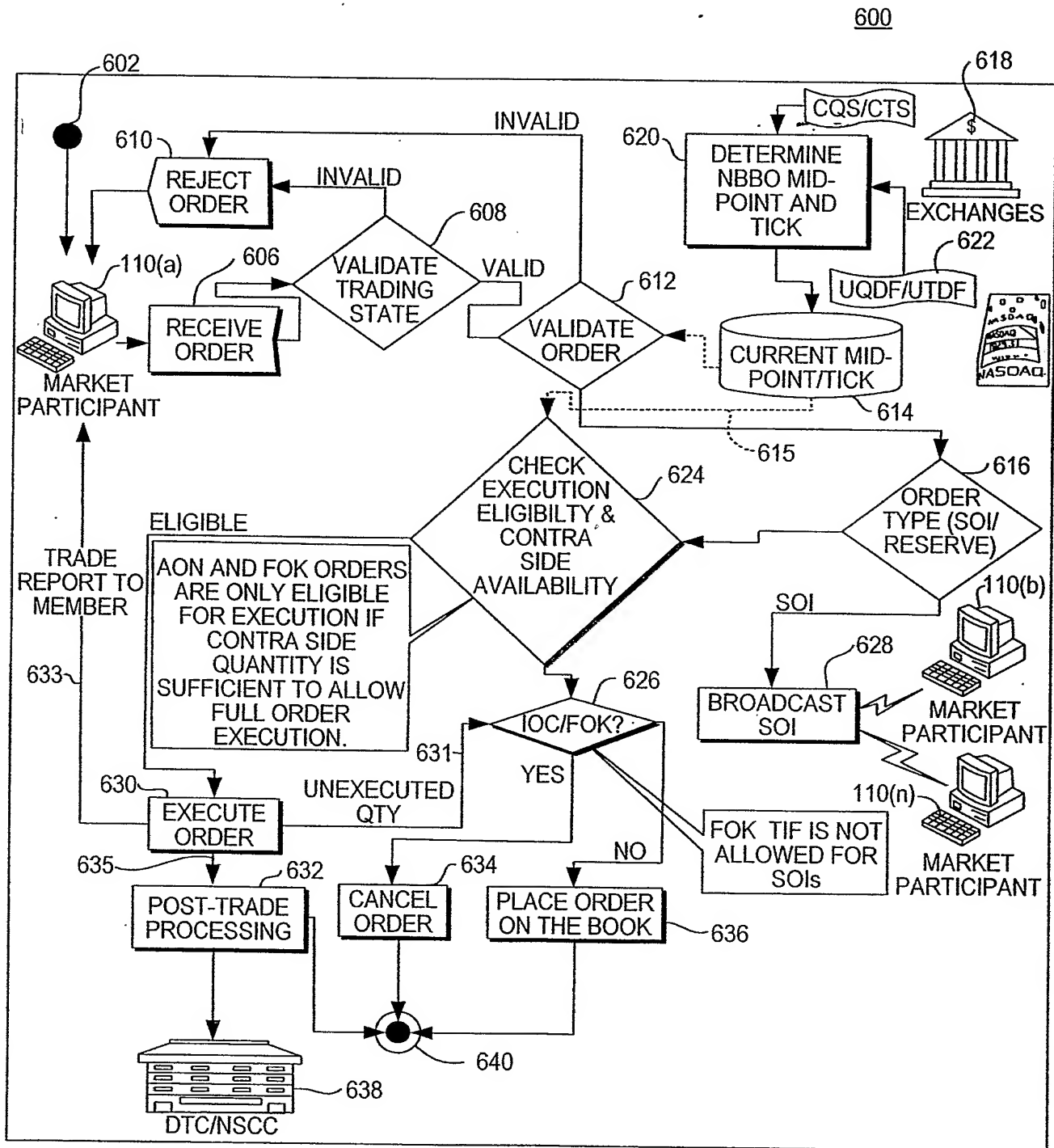


FIG. 6

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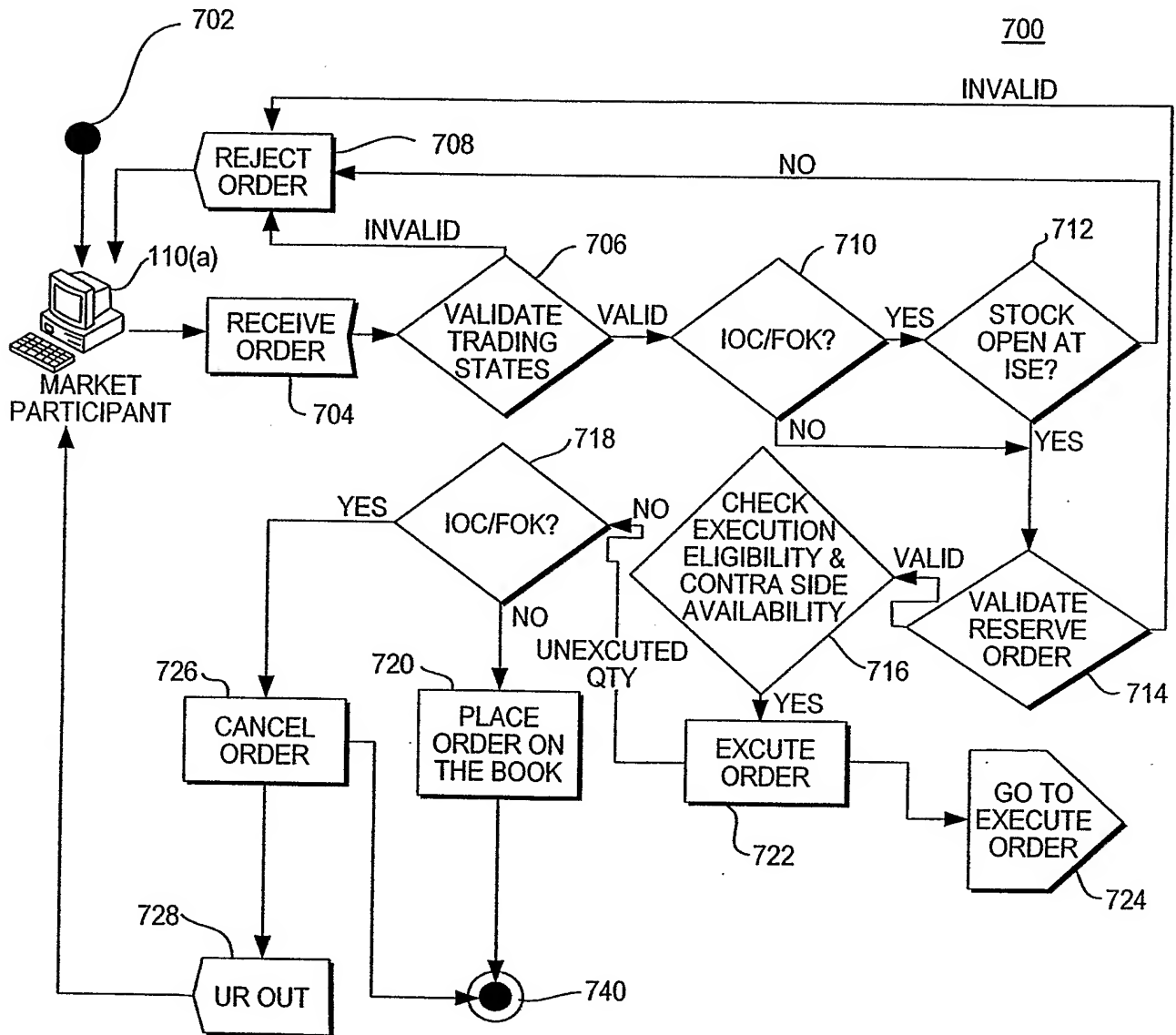
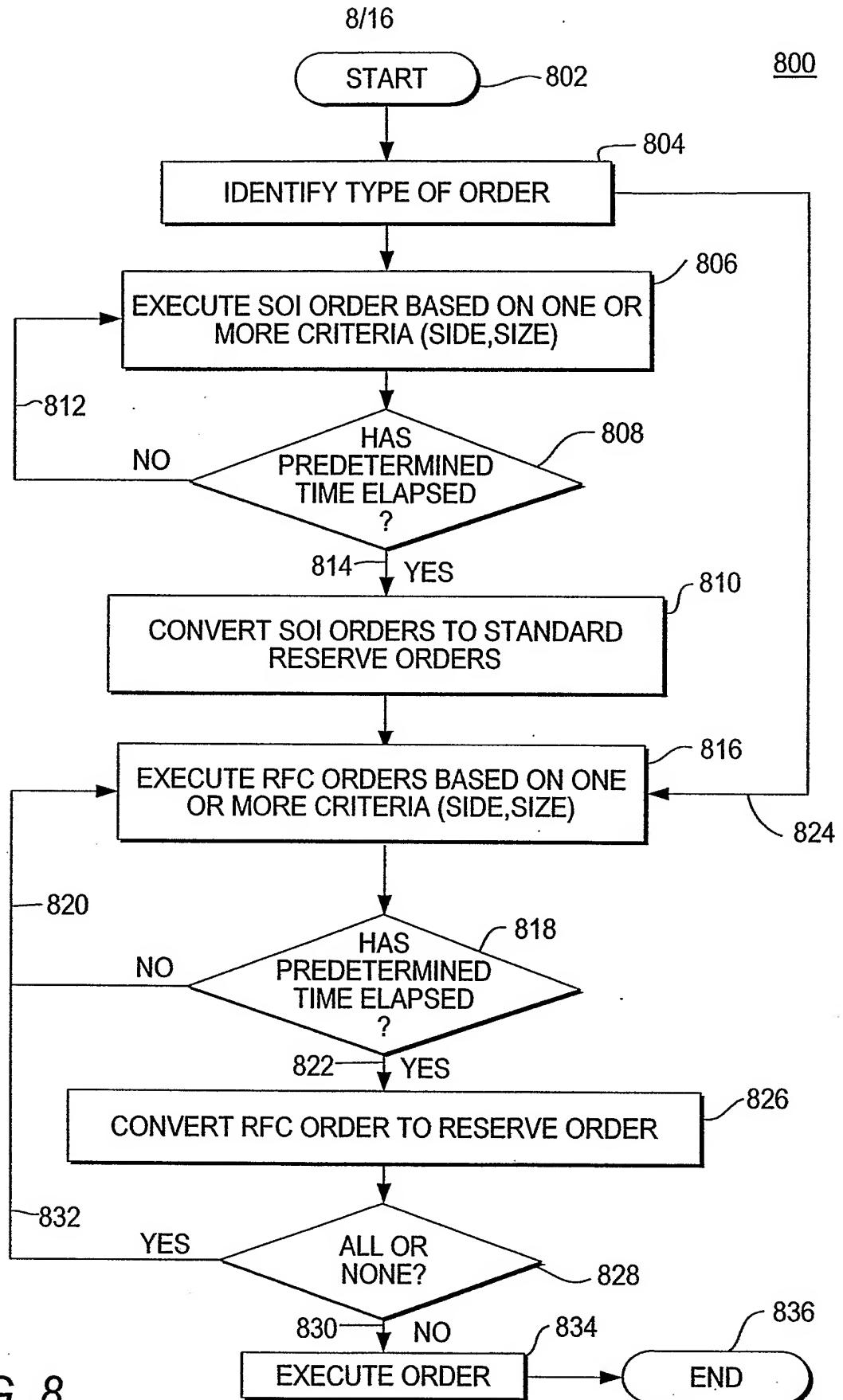
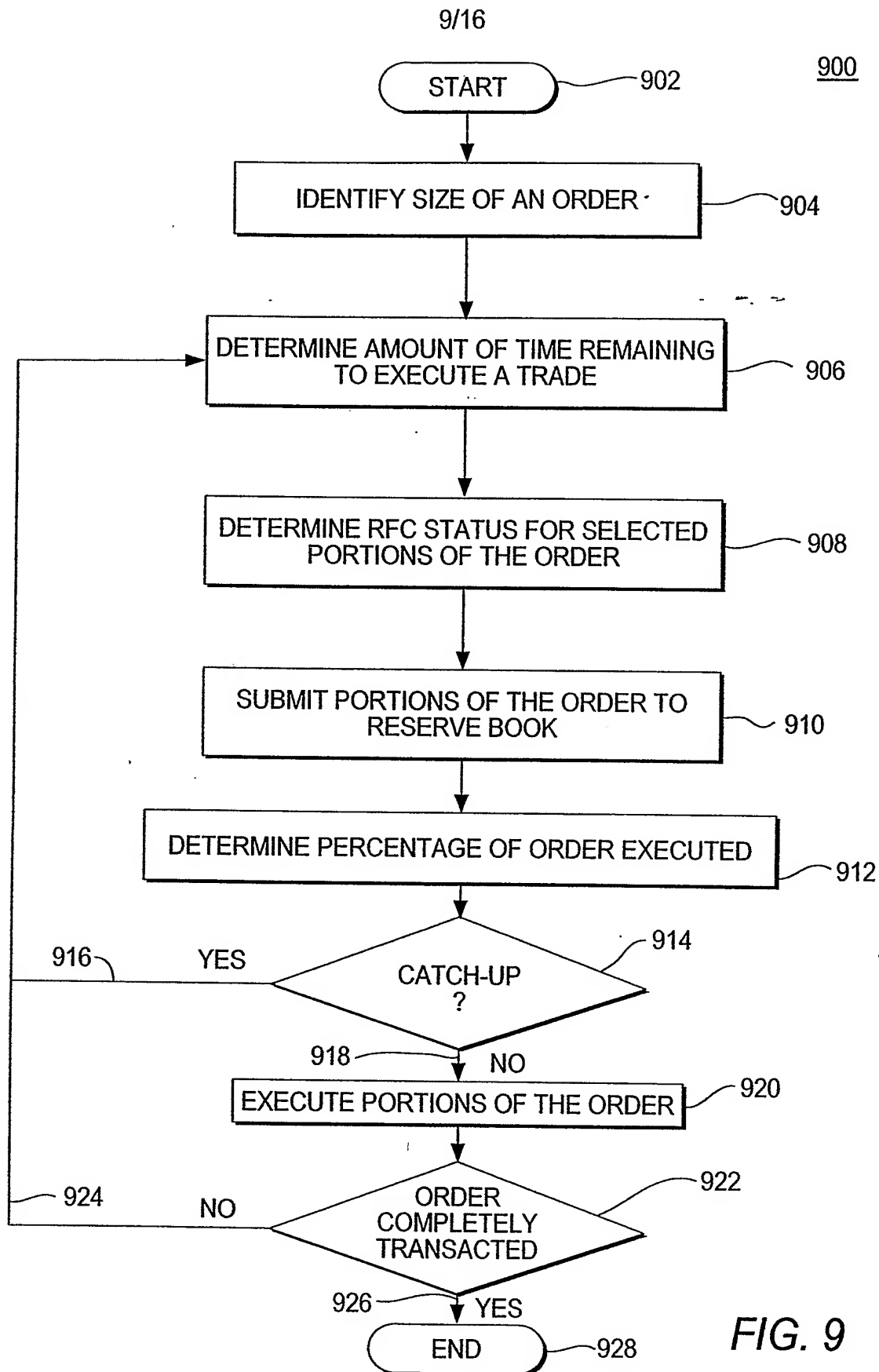


FIG. 7





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1000

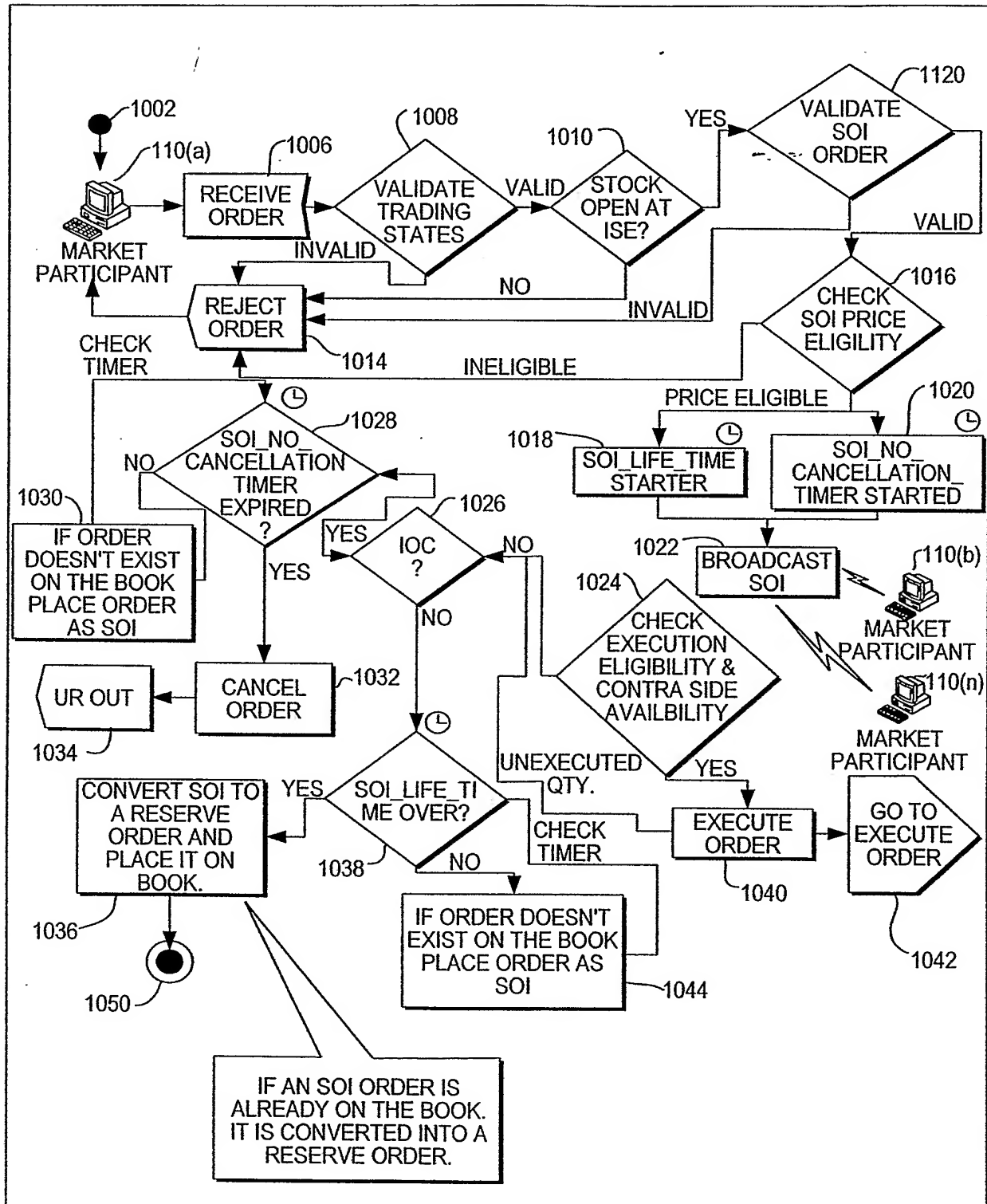


FIG. 10

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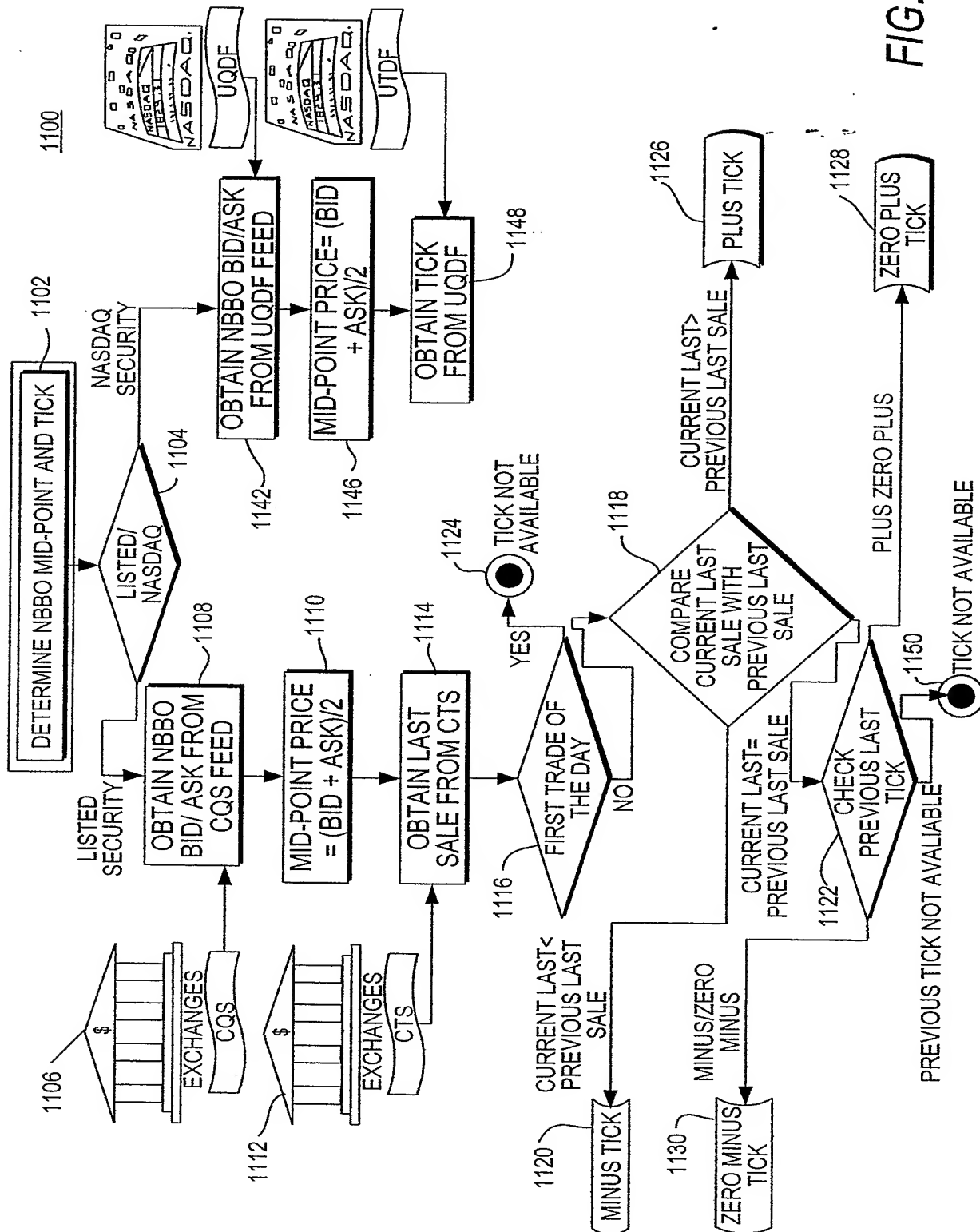


FIG. 11

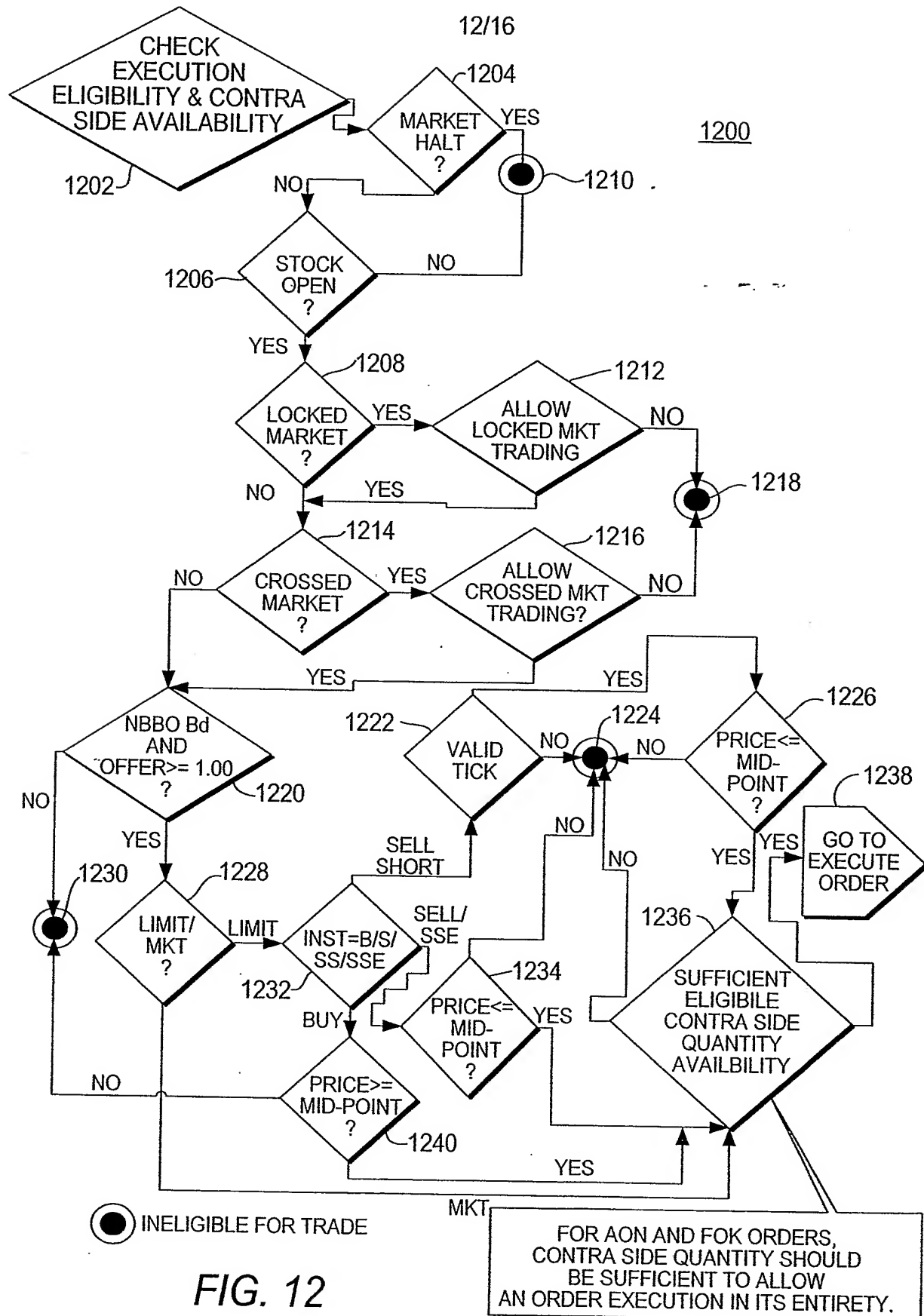


FIG. 12

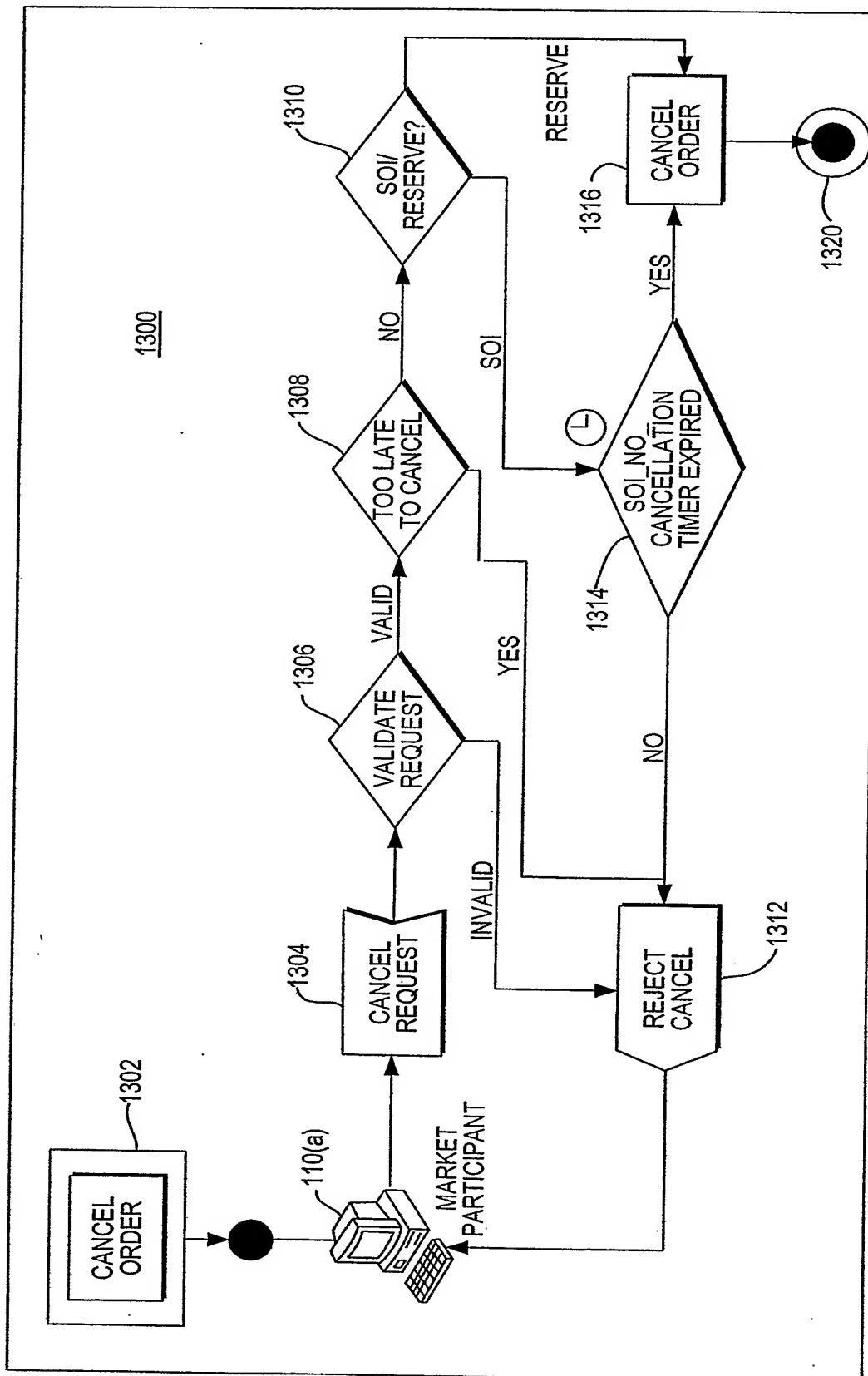


FIG. 13

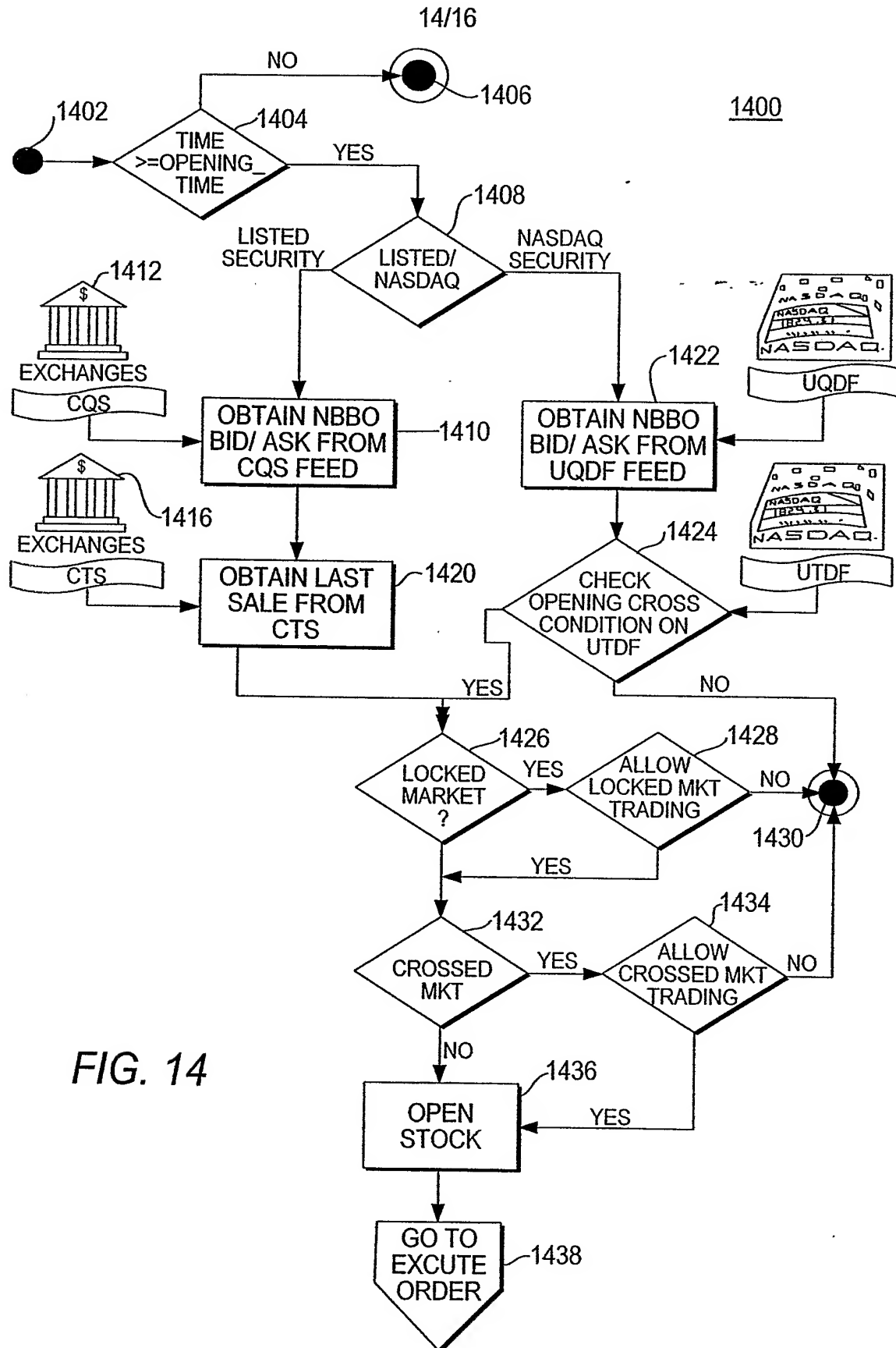


FIG. 14

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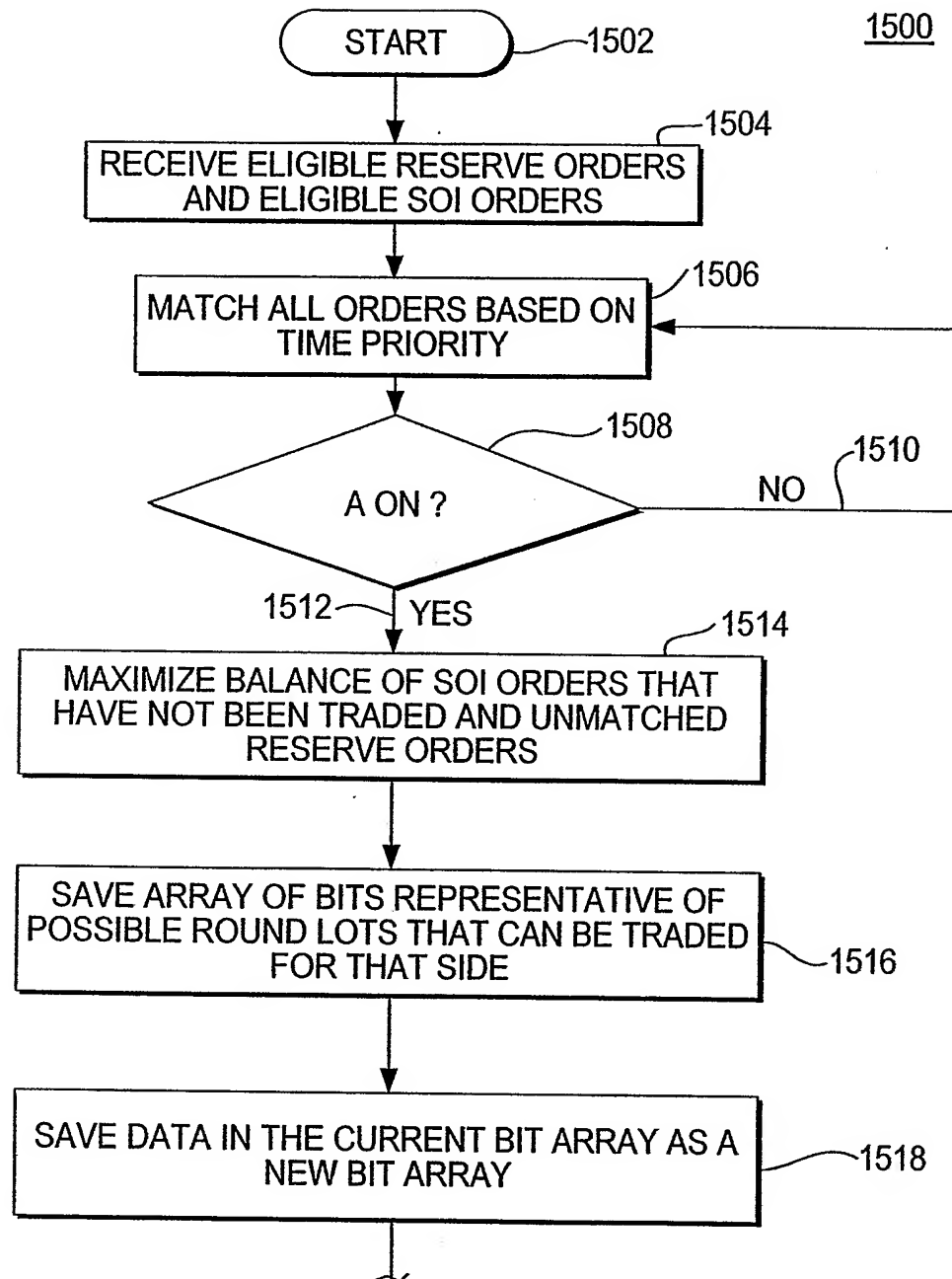


FIG. 15

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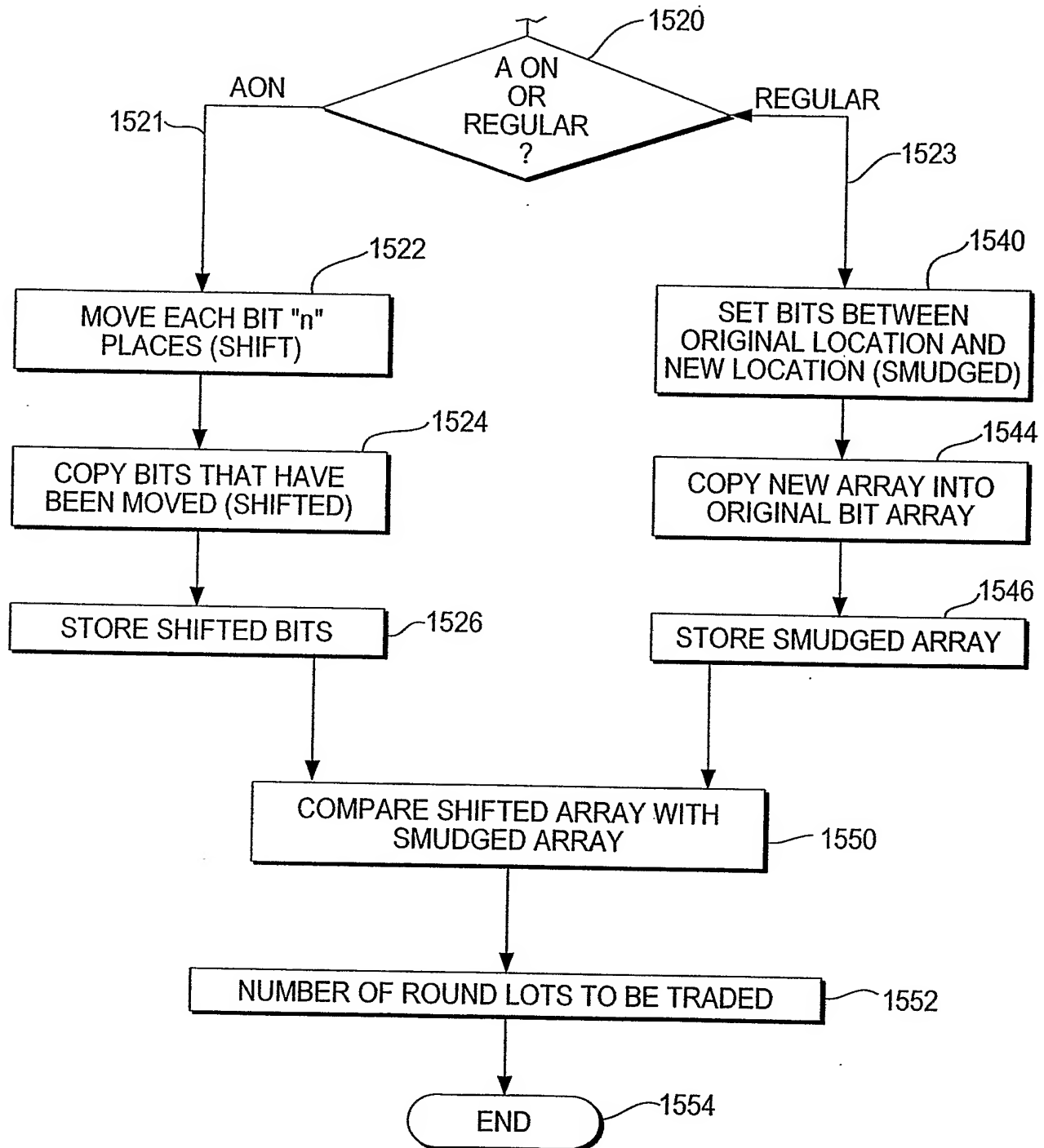


FIG. 15 CONT"d